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The Global Newspaper
Edited and Published in Paris
Printed simultaneously in Paris, London, Zurich, Hong Kong, Singapore, The Hague, Marseille, New York, Rome, Tokyo, Frankfurt.

International Herald Tribune

Published With The New York Times and The Washington Post

Algeria 8.00 Dn. Israel NIS. 3.50 Oman 1.000 Rials
Austria 23 S. Italy 2,000 Lire Portugal 170 Esc.
Bahrain 0.800 Din Jordan 1 JD Qatar 8.00 Reals
Belgium 50 B Fr. Kenya Shs. 45 Rep. of Ireland, 80 P.
Cyprus C£ 1.00 Kuwait 500 Fils Saudi Arabia 7.00 R.
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Iran 115 Rials Nigeria 10.00 Naira Yugoslavia 20 ND

No. 33,359 22/90 ** PARIS, TUESDAY, MAY 29, 1990 ESTABLISHED 1887

Gareth Watkins/Reuters

The French Open Champion Returns, Victorious

Michael Chang, who last year became the first American to win the French Open since 1955, put his recent losing streak behind him on Monday and won his first-round match with ease. Page 21.

Tokyo's Money Will Reshape Europe

By Patrick L. Smith
International Herald Tribune

TOKYO — A surge in Japanese investment will fundamentally change Western Europe's economic landscape in the 1990s, posing major new competitive threats to European companies.

As it shakes off psychological dependence on the United States, Japan will step up the pace and sophistication of its investments in Western Europe in the coming decade, according to Japanese and European economists, executives and business consultants.

In the new phase, Japanese companies will advance decisively beyond the relatively unsophisticated "screwdriver" plants, assembling mostly imported parts, for which they have been criticized in Europe.

Instead, Japanese investment will increasingly be in advanced technology, research and development and plants using local supplies.

Also, the thrust of investment will switch from Britain to West Germany and France, which the Japanese now see as the best springboards for dominant positions in manufacturing and service industries.

As commitments in continental Europe grow, there are likely to be fewer go-it-alone investments and a sharp rise in takeover bids by Japanese corporations, economists said.

"Europe is becoming a key target of the 1990s for Japanese companies, and they are going to bring a completely new kind of investment," said Naoya Takebe, an executive of Industrial Bank of Japan Ltd. "Competition is going to be severe, but we expect Japanese companies, as well as Europe's strongest, to survive it."

Europeans will in fact benefit, economists on both sides said, as the Japanese inroads raise the efficiency and the technological base of the continent's industry. But Japan's larger presence will also change the face of corporate Europe in the 1990s as large companies are followed by smaller ones and as fights for market share intensify.

European industries most likely to survive, Japanese executives said, are those that have maintained healthy balance sheets and superior research, such as the chemical and pharmaceutical giants, or competitive technology, such as machine-tool manufacturers. Both are focused largely on advanced "made-to-order" products, the traditional strength of European industrial culture.

Japan's Global Reach
First of two articles

Mass-production industries, by contrast, have not kept pace with Japanese advances in productivity, quality and microelectronic applications, Japanese experts said. These include consumer electronics, office equipment and autos.

Some Japanese strategies are already apparent. Japanese car production in Europe will almost triple by 1995, to 1 million vehicles, according to current forecasts. With modest growth in shipments from Japan, this is expected to raise Japan's share of the European market by half, to 16 percent or so.

As Japanese spending in other parts of the world moderates, Western Europe will account for as much as one third of Japan's overseas commitments by the end of the decade, forecasters said. Last year, the European Community claimed just over 20 percent of what is estimated to be roughly $60 billion in Japanese direct investment abroad.

While European views about a growing Japanese presence are decidedly mixed, competition to attract Japanese funds is increasingly apparent across the board. When Nomura Securities Co. settled recently on London as the base for Nomura Europe, a new region-wide subsidiary, British financial circles greeted the news as a major victory over Frankfurt and Paris.

Japan's activities in Europe in coming years will continue to be driven by the European Community's post-1992 single market and the opening of Eastern Europe. But they are also the result of rising worldwide competitive pressures.

In effect if not by design, Japanese industry is simultaneously maintaining intense competition inside Japan and forcing European and U.S. rivals into defensive postures on their own home turfs. At the same time, the Japanese are investing massively to position themselves in the markets expected to mature later in this decade and early in the next century.

Almost 80 percent of Japan's 1989 private capital commitments abroad were in a dozen North American, European and Asian nations.

"The strategic imperative for Japanese companies now is full participation in all three regional economies," said Paul A. Summerville, chief economist at Jardine Fleming (Securities) Ltd. in Tokyo. "The strategic question for everyone else is, 'Who can keep pace with this principle?' "

Only a decade ago, the European

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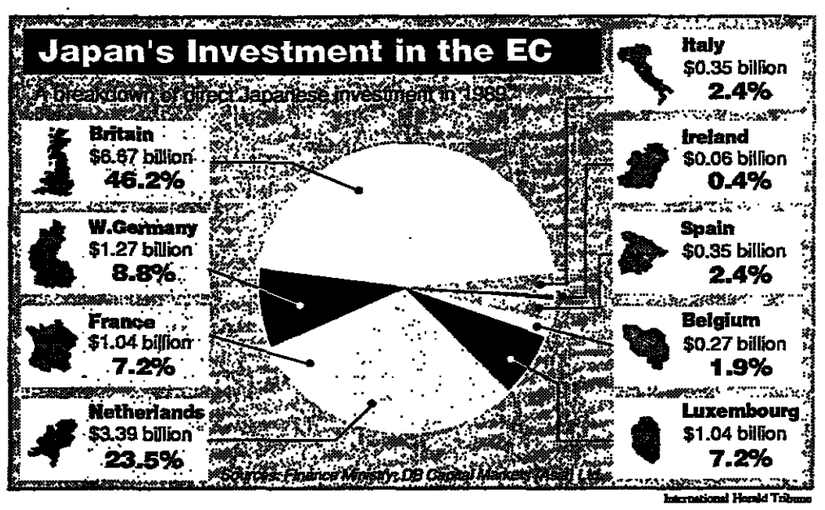


Toll Rises To 22 in Armenia

Moscow Assails Local Aides for Laxity on Arms

By Michael Dobbs
Washington Post Service

MOSCOW — Twenty Armenians and two Soviet soldiers have been killed in a series of clashes between Interior Ministry troops and nationalists that turned an Armenian celebration Monday into a day of mourning.

The republic's Communist Party leader, Vladimir Morsisyan, appealed for calm after bloodshed Sunday at Yerevan's main railroad station and an army base south of the capital.

A planned march through the city Monday afternoon to commemorate Armenia's short-lived declaration of independence in 1918 was canceled and turned into a rally to commemorate the dead.

The Armenian news agency said that 20 civilians and two soldiers had died in incidents that authorities have blamed on nationalist groups trying to confiscate weapons from the army. More than 50 people on both sides were injured, several critically.

The flare-up in Armenia is a vivid reminder of the longest and most intractable ethnic dispute to confront Mikhail S. Gorbachev since he became general secretary of the Soviet Communist Party in 1985.

The rise of an Armenian national movement in early 1988, fueled by a territorial dispute with neighboring Azerbaijan, was a precursor of resurgent nationalism in other parts of the Soviet Union.

The Soviet interior minister, Vadim V. Bakatin, accused Armenian authorities of failing to do enough to curb the arming of nationalist groups following clashes along the border with Azerbaijan earlier this year. He said that Armenian activists had seized a total of 1,200 automatic rifles from police stations alone during the past few months.

"The Armenian government must take tougher measures to disarm these groups," said Mr. Bakatin.

Consulting his files, the interior minister said that the death toll from ethnic violence in the Soviet Union this year stood at 332 — more than the total for all of 1989.

According to Mr. Bakatin, substantial numbers of armed militants gathered outside Interior Ministry barracks at Erubuni, south of Yerevan, Sunday afternoon after a shoot-out in the railroad station in which six civilians were killed.

Shots were fired; the garrison's deputy commander, a lieutenant colonel, was killed, and three soldiers were injured.

Mr. Bakatin said that troops then opened fire on the crowd in self-defense, killing 14 persons and injuring 40. "Casualties were much higher on their side since our troops were obviously better armed," he said.

Mr. Bakatin's version was disputed by the Armenian National Movement, the republic's most prominent nationalist organization, which said that innocent civilians had died in the cross fire. A spokesman said that a 13-year-old girl was among those killed after the army opened fire on militants manning a barricade not far from the army barracks.

Sporadic clashes continued around Yerevan through the night, according to local journalists. Just before midnight, a group of gunmen attacked policemen guarding the headquarters of the republican government next, seizing 14 handguns and ammunition.

The news agency Interfax said

See SOVIETS, Page 5

Germans Reject French Model on NATO

Compiled by Our Staff From Dispatches

STRAUSBERG, East Germany — West Germany rejected Monday a Soviet proposal that a united Germany could be a political NATO member outside the military command, but said the idea showed that Moscow was moving in the right direction.

"I do not see this as the solution we are seeking on this matter," said Defense Minister Gerhard Stoltenberg of West Germany after the first visit by a Bonn minister to East Germany's Disarmament and Defense Ministry.

"It is remarkable that the Soviet president is now beginning to concern himself in public with the prerequisites for NATO membership," he said of the German situation at a news conference.

On Friday, President Mikhail S. Gorbachev raised the possibility that Germany could belong to the North Atlantic Treaty Organization's political arm if it stayed outside its military command, as France has done.

France is a political member of NATO, but does not host foreign troops on its soil and has no combat troops under NATO control. The United States has recently been urging France to enhance its military role within NATO.

Mr. Stoltenberg's comments were the first official response from Bonn to the Gorbachev remark.

"We, the federal government, believe this formula should not be the end result," he said.

Western powers want Germany to be a NATO member. Moscow has proposed neutrality and other options short of full membership.

Mr. Stoltenberg held more than two hours of talks with the East German defense minister, Rainer Eppelmann, their second formal meeting since an initial encounter in Cologne on April 27.

It was the first meeting on East German soil. The West German flag flew alongside East Germany's at the ministry, a former World War II Luftwaffe installation an hour's drive east of Berlin.

Mr. Eppelmann said he considered this to be a "considerable step by the Soviet Union. "I have the impression," he added, that Moscow "is now beginning to step onto bridges that have been built for it."

During their meeting, the two German ministers signed an agreement governing official and personal contacts between soldiers of the West German Bundeswehr and East Germany's National People's Army — for decades on opposing sides of the superpower divide.

Mr. Eppelmann was asked whether he thought the East German Army was still the best in the Warsaw Pact, an assessment often made by Western military experts.

He said all armies and their military leaders in Eastern Europe were suffering from a lack of motivation.

"I believe it is justified to say that there is no East European army that is capable of launching an attack on the West," he said.
(Reuters, AFP)

Soviet Oil: A Tainted Blessing

By Michael Dobbs
Washington Post Service

TYUMEN, U.S.S.R. — Sergei Ponogaibin gazed out across the flooded marshes of western Siberia, a stark and desolate landscape that produces more oil than Kuwait and Saudi Arabia combined, and shrugged his shoulders in a gesture of despair.

"Oil has been our blessing, but it is also our curse," the master driller shouted as he supervised the sinking

First of two articles

of a new well 2,450 meters (8,000 feet) deep into the sandy soil.

"We wasted the money we earned from oil on the Third World, on military projects, on importing food from the West. If it hadn't been for oil, we would have been forced to introduce our *perestroika* reforms much earlier."

The West's fascination with the personality of President Mikhail S. Gorbachev has tended to obscure the fact that many of his bold new policies are a response to economic setbacks.

The Soviet leader has been hailed abroad as the man whose "new thinking" in foreign policy liberated Eastern Europe from Communist domination, wound down the Cold War and launched the world's second superpower on the path to economic reform. But how much choice did he have?

A trip to the oil-rich Tyumen region of western Siberia suggests that the answer may be very little. The era of cheap oil that could be resold on the international market for high prices — subsidizing an inefficient domestic economy and Soviet adventures in the Third World — seems to have vanished.

Its disappearance has been accompanied by a reappraisal of the strength of the nation's economy and of the Soviet Union's ability to bear its imperial burden.

As Mr. Gorbachev prepares for his Washington summit meeting with President George Bush, some of his advisers are spreading the word that the Soviet economy was only saved from collapse during the mid-1970s by a massive infusion of petrodollars. World oil prices multiplied 15-fold during the 1970s, just when the huge new oil fields of western Siberia were coming on stream.

"Our command-and-administer system had

See OIL, Page 5

Bonn's Social Democrats in Disarray

By Marc Fisher
Washington Post Service

BERLIN — Oskar Lafontaine, the leading presidential challenger to Chancellor Helmut Kohl, has touched off a political storm that could result in his removal as the Social Democratic candidate in West Germany's election on Dec. 2.

The Social Democrats, who chose Mr. Lafontaine for his brash style and populist touch, fell into public disarray Monday over their candidate's insistence that the party vote against the treaty under which the two Germanys will unite economically on July 1.

Mr. Lafontaine, the 46-year-old premier of the Saarland, one of West Germany's smallest states, told interviewers this weekend that the treaty would cost West Germans too much and would not provide enough job protection for East German workers.

As his position against the treaty hardens, prominent figures in the party worry whether Germans on both sides of the divide will consider the Social Democrats the party that opposed reunification.

East Germany's Social Democrats implored their Bonn colleagues Monday to support the treaty. The East German foreign minister, Markus Meckel, chairman of the East Social Democrats, called Mr. Lafontaine's strategy "politically irresponsible."

Chancellor Helmut Kohl of West Germany, who was in Berlin on Monday night to meet with the East German prime minister, Lothar de Maizière, said the planned introduction of the West German Deutsche mark in East Germany must proceed on schedule.

"The expectations of the people are enormous," he said. It would be "catastrophic" if the July 1 merger of the two economies were delayed. "We would have hundreds of thousands of refugees," Mr. Kohl said.

Bonn opponents of Mr. Lafontaine's tactics leaked critical stories to nearly every West German newspaper. Reports speculated that Mr. Lafontaine might be dumped in favor of the mayor of West Berlin, Walter Momper, who supports the economic unity treaty.

But Mr. Lafontaine, who has not taken part in any public meetings since he was stabbed in the neck a month ago, stood firm, and the party spokesman insisted there was no split in the Social Democratic Party.

Mr. Momper said in Tuesday's edition of Bild newspaper that the party's differences "appear much greater to the public than they are."

Mr. Lafontaine can point to new opinion polls in both Germanys to show that his anti-treaty arguments strike a favorable chord among the voters. The newsweekly Der Spiegel reported that 71 percent of West Germans are not prepared to make any sacrifice for German unity.

With fear of the impact of monetary union rising in both parts of Germany, a majority of those polled in both countries this week chose Mr. Lafontaine over Mr. Kohl for chancellor.

But other Social Democratic leaders are concerned that Mr. Kohl's Christian Democrats could easily portray the challengers as unpatriotic if they reject the treaty.

Kiosk

Police Assailed In Pakistan

HYDERABAD, Pakistan (Reuters) — President Ghulam Ishaq Khan denounced the police Monday for "indiscriminate firing" as 15 more persons were killed in ethnic violence in southern Pakistan.

The killings raised the death toll in three days of clashes in Sind Province to at least 152. The clashes involve Muslim immigrants from India, native Sindhis and settlers from other parts of Pakistan.
(Earlier article, Page 10)

General News

The Burmese junta accepted overwhelming electoral defeat by the opposition. Page 2.

Iraq renewed its threat of retaliation against Israel, as an Arab League summit meeting opened in Baghdad. Page 4.

Memorial Day: Texas has a bang-up time. Page 7.

Sports

Chicago beat Detroit, 108-101, in basketball. Page 21.

Business/Finance

The U.S. banking industry may be stabilizing, analysts say, but the outlook remains guarded. Page 17.

Crossword Page 15.
Weather Page 2.

The Associated Press

Prague Prisoners Protest

An inmate of Ruzyne Prison at Prague dangling outside a window on Monday as he calls for improved conditions. Eleven other protesting prisoners climbed to the roof. A special police unit moved in to end the protest after a prisoner died of burns.

At Camp David, Twixt Casual and Crisis

By Maureen Dowd
New York Times Service

KENNEBUNKPORT, Maine — When Mikhail and Raisa Gorbachev agreed to spend next weekend at Camp David, White House aides called the Soviet Embassy to find out what pastimes the couple enjoyed.

The woodsy presidential retreat in the Maryland mountains offers an array of indoor and outdoor activities: skeet shooting, horseback riding, horseshoes, bowling, squash, badminton, volleyball, swimming, tennis, hiking, bicycling, chess, backgammon, checkers.

The answer came back: no recreation.

"Our impression is that they don't have any hobbies or sports," said a senior adviser to President George Bush. "Gorbachev doesn't like to do anything except work."

Another presidential aide said, "He's not a golf-shirt kind of a guy."

The news was a bit of a blow to Mr. Bush, who has been trying eagerly to do a little casual bonding with his more reserved Soviet counterpart. Soviet and American aides agree that chemistry will be an important factor in this week's summit meeting as the leaders try to develop a trusting relationship, one that can help them move East-West relations beyond the Cold War.

While the presidents share a belief that they can use their personalities to shape foreign policy, they have fundamental differences in outlook and style, differences that have so far given their encounters a tentative feeling.

Buoyed by his approval rating at home, Mr. Bush is approaching the meeting with a sense of optimism and at times playfulness, as he did before the Malta session in December. But Mr. Gorbachev, faced with the intricate task of

> **Gorbachev is not 'a golf-shirt kind of guy.'**
> **A Bush aide**

saving his country from economic ruin, takes a more somber view.

"Gorbachev is a serious fellow and his country and view of history are hanging by a thread," said Richard N. Perle, an assistant secretary of defense under President Ronald Reagan. "There is an echo here of: 'You may want to tool around in speedboats off Kennebunkport. I'm trying to save my country.' "

In past summit meetings and in interviews about the Washington session, which begins on Wednesday, Mr. Gorbachev has tended to speak in impersonal terms about governments and matters of state. Mr. Bush has tried to frame the matchup in a more personal way.

Mr. Bush, who spent the weekend before the talks at his family retreat in Kennebunkport, said in an interview broadcast on Soviet television on Sunday that he expected to talk frankly with the Soviet president.

"I've got grandchildren and he's got family and we can talk about it as human beings: 'Hey, what are we going to do to make things a little safer?' "

He said he thought he had a good personal relationship with Mr. Gorbachev, but added: "Wait until I see him. Then I'll be able to tell you, because he may be mad with me over some things."

Emphasizing that he will press Mr. Gorbachev on the fate of the Baltic republics, which are trying to secede from the Soviet Union, the president told the Soviet people, "If we argue, we'll do that pleasantly. He's a tough guy. Listen, I've been around him enough to know that he drives his point home. Well, I can do the same."

Mr. Bush has made friendly diplomacy in sporty settings a hallmark of his presidency. He is exceedingly proud of his encounters with foreign leaders like President François Mitterrand of France, who meandered around Kennebunkport with Mr. Bush, and President Hosni Mubarak of Egypt, who sat through a Baltimore Orioles baseball game with the president.

There is nothing that Mr. Bush likes better before meeting with a world leader in some relaxing spot than to have everyone change into sports clothes. He likes to take leaders around

See RELAX, Page 7

Bush Describes Gorbachev as 'Darn Strong'

Washington Post Service

KENNEBUNKPORT, Maine — President George Bush said here Monday that President Mikhail S. Gorbachev remained "pretty darn strong" despite the "enormous problems" he faces in the Soviet Union, and that recent events should not undermine the meeting between the men set to begin Thursday.

Mr. Bush said that, despite reports of panic buying in Moscow and outbreaks of violence, it was not up to the United States "to sort out" Soviet economic problems.

While saying that he would welcome the Soviet leader "with open arms," Mr. Bush added that he planned to "stand on our principles" in discussing areas of disagreement, such as the Baltics and German reunification.

The superpowers find their status in doubt. Page 3.

Colombians Choose Youngest President

Liberal Vows to Fight Drug Barons

By James Brooke
New York Times Service

BOGOTA — César Gaviria's campaign poster showed him in shirtsleeves, grinning giddily and waggling his fingers overhead in victory symbols. To create the pose, a studio photographer had to loosen up the candidate by playing a Beatles record full blast.

The incident says several things about the man Colombian voters elected president on Sunday.

At 43, with jet black hair curling lightly over his shirt collar, Mr. Gaviria will be Colombia's youngest president in this century when he takes office on Aug. 7.

Mr. Gaviria won in voting Sunday that was largely peaceful and, in many places, festive — a sharp departure from the tense and bloody campaign that claimed the lives of three presidential candidates in nine months.

But Mr. Gaviria, candidate of the governing Liberal Party, claimed victory with 47 percent, the lowest share for Liberal party candidates in the last five presidential elections, according to figures released Monday. About 60 percent of Colombia's voters are traditionally Liberals.

A surprise winner was a guerrilla group that only two months ago traded its bullets for ballots. In a vote that may encourage Colombia's three other guerrilla groups to try electoral politics, the M-19 party emerged as the nation's third-largest political force. In its first test, the party won 13 percent of the vote.

Later this year, after 20 years of militancy, the M-19 is expected to finally enter government. Mr. Gaviria, the president-elect, is expected to honor a pre-election pledge to give the party a cabinet post.

Despite the festive air Sunday, abstention was high. Near-complete returns indicate that only 45 percent of the nation's 13.9 million eligible voters went to the polls.

The reduced turnout apparently resulted from a fear of terror bombings by cocaine traffickers and from disillusionment after three popular candidates were murdered on the campaign trail.

A native of Colombia's coffee-growing mountain heartland, Mr. Gaviria favors restrained gestures, dark wool suits and conservative economics.

And as the man who will lead this violence-torn Andean nation, Mr. Gaviria has little to giggle about.

In a campaign dominated by the ghosts of three murdered presidential candidates, Mr. Gaviria's campaign posters featured the stenciled features of Luis Carlos Galán looking approvingly over his successor's shoulder. The slogan reads: "With Gaviria, there will be a future."

It was last August at the funeral of Mr. Galán, a Liberal Party presidential hopeful murdered by cocaine traffickers, that Mr. Gaviria was suddenly transformed from a respected former finance minister to front-running presidential candidate.

As millions of Colombians watched on television or listened on radio, Mr. Galán's 17-year-old son, Juan Manuel, unexpectedly turned to Mr. Gaviria and declared: "I want to tell Dr. César Gaviria, in the name of the people and in the name of my family, that we entrust in you the flags of my father and that you can count on our support to become the president that Colombia wanted and needed. Save Colombia!"

After that public anointment, the most important aspect of the campaign revolved around keeping alive Mr. Gaviria, the candidate who most bluntly attacked Colombia's powerful cocaine trafficking gangs. In March and in April, gunmen broke through tight security and murdered two other candidates.

Daniel Mordzinski/Reuters

President-elect César Gaviria celebrating victory with his wife, Ana, and daughter María Paz.

In the last month of the campaign, Mr. Gaviria appeared in public only twice. Instead, he campaigned by giving interviews from a steel and bullet-proof-glass reinforced campaign "bunker."

One week ago, in a final campaign appearance, he spoke in public before 5,000 carefully screened supporters. Dwarfed by 15 bodyguards, the slightly built candidate had an unnaturally round appearance, the result of being encased in bulletproof jackets.

"So many things have happened, I am obliged to take all the precautions," the boyish-looking candidate said Friday in an interview in the muffled silence of the campaign bunker.

Despite pressure, Mr. Gaviria showed no indication of bending to what he called "narco-terroristas."

He said: "For the terrorist problem, we have to reserve a completely severe and military attitude. We have to break terrorism, defeat terrorism."

A pragmatist, Mr. Gaviria speculated that as businessmen, the cocaine dealers would soon concede that attacking the state was a no-win venture that hurt the bottom line.

A major priority of his government would be to establish a safe, streamlined judicial system that could stand up to the traffickers.

Borrowing anti-terrorist judicial innovations from Britain, Italy, and West Germany, Mr. Gaviria said that his "Colombian blend" would include: building secure housing for judges and high-security prisons for traffickers; adopting special legislation to guarantee anonymity for judges in drug cases and reversing the burden of proof — requiring drug suspects to prove their innocence.

To curb other sources of violence, Mr. Gaviria said he would order the army to disarm rightist paramilitary groups that have carried out a string of massacres in the countryside.

With the election behind him, Mr. Gaviria must now brace for the response from the traffickers, who one political scientist said were "inclined to give Gaviria a lesson as soon as they can."

Rubles Deal To Expand U.S.-Soviet Air Travel

By Don Phillips
Washington Post Service

WASHINGTON — U.S. and Soviet negotiators have settled on a proposed agreement to expand air travel between the two countries that is expected to be signed during this week's summit meeting, according to U.S. sources.

Negotiators worked out on Sunday the only remaining sticking point in the talks, over how many U.S. plane tickets could be sold with payment in rubles.

Sources said it was not clear who would sign the agreement: Presidents George Bush and Mikhail S. Gorbachev or Secretary of State James A. Baker 3d and the Soviet foreign minister, Eduard A. Shevardnadze. The Senate must also ratify the pact.

"They came to deal," a U.S. source said of the Soviet negotiators, who flew from Moscow during the weekend for what was to have been two days of talks. The final agreement was reached in a few hours, the source said.

Under the agreement, 8.75 percent of the space on U.S. airliners flying out of the Soviet Union may be purchased with rubles, giving the U.S. carriers potential sales to to Soviet citizens who do not have dollars or other hard currency.

The United States originally insisted on 15 percent, then dropped the demand to 11 percent. The Soviets said 2 percent and stuck with that figure for months, until it became the only problem holding up the agreement.

On Sunday, the U.S. sources said, the Soviets opened the bidding at 6.5 percent, then edged up to 8.75 percent, just below what the United States had intended to be its final offer. "In our own minds, we were willing to settle for 9," a source said.

Under this section of the agreement, the Soviet airline Aeroflot, acting as agent for U.S. carriers, will sell up to 8.75 percent of available space in rubles. It will then exchange those rubles for dollars, paying the American carriers in U.S. currency.

Originally, the U.S. carriers wanted to be paid in rubles that they could use to buy services in the Soviet Union. Now they must buy rubles at an artificially high exchange rate to pay for services such as refueling or rent.

The State Department estimates that the overall agreement could triple U.S.-Soviet air traffic.

Currently, only Aeroflot and Pan American World Airways may fly the U.S.-Soviet route, and they may serve only New York, Washington, Moscow and Leningrad.

The new agreement will allow up to six additional U.S. airlines to fly between the two countries, and will allow a second Soviet airline to join the competition if one is formed, which is expected.

Additional U.S. cities that could be served are Anchorage, Chicago, San Francisco and Miami. The cities to be added in the Soviet Union are Kiev, Minsk, Magadan, Khabarovsk, Tbilisi and Riga in Latvia.

The two sides also agreed to allow at least 100 charter flights a year on trans-Atlantic routes, and to encourage trans-Pacific charters.

WORLD BRIEFS

Liberians Seek Refuge From Rebels

MONROVIA, Liberia (AFP) - Hundreds of Liberians thronged the Foreign Ministry on Monday requesting passports to flee the country as rebels seeking to overthrow President Samuel K. Doe were reported close to the capital.

Monrovia was tense and it was impossible to travel to Kakata, some 64 kilometers (40 miles) from the capital, where travelers said rebels of the National Patriotic Front of Liberia attacked a military checkpoint Saturday. The rebels, led by a fugitive former senior civil servant, Charles Taylor, are said to be moving on the capital from the north and east.

Meanwhile, more than 600 Liberians from Nimba County, where the rebellion started in December, stormed the offices of the United Nations Development Program over the weekend seeking refuge from what they called indiscriminate killings of Nimba citizens by uniformed men.

IRA Says It Killed 2 in 'Tragic' Error

ROERMOND, Netherlands (AP) — Irish Republican Army terrorists who killed two Australian tourists driving a British-registered car had mistaken the victims for British Army personnel, the IRA said Monday.

The victims — identified as Nick Spanos of Sydney and Stephen Melrose of Brisbane, both 24 — had left a restaurant Sunday and were getting into their car when three gunmen drove up and opened fire with automatic weapons, the police said. Mr. Melrose's wife and Mr. Spanos's girlfriend, who were with them, were uninjured.

The IRA, which wants to end British rule in Northern Ireland, said in a statement issued in Dublin that it regretted the deaths. "The Irish Republican Army accepts responsibility for the deaths of two Australian men in Roermond last night," the statement read. "The active service unit involved tragically mistook the men for two British Army personnel. The IRA deeply regrets this tragedy."

Yugoslav Seeks New Constitution

BELGRADE (Reuters) — President Borislav Jovic on Monday called for a new Yugoslav constitution, saying it would help stabilize the crisis-ridden country and prevent civil war.

Mr. Jovic, in a speech to parliament two weeks after taking office, said the Balkan federation could explode into violence and tear itself apart. He said the presidency would organize talks enabling the six member republics to settle differences, and outlined 13 measures he said would help damp down conflicts between Yugoslavia's many ethnic groups.

But he dismissed fears that he would impose a state of emergency or annul the results of free elections that have ended 45 years of Communist rule in the wealthy and relatively Westernized republics of Slovenia and Croatia.

Rights Group Details Abuses in Tibet

BEIJING (NYT) — The Chinese authorities in Tibet have relied increasingly on political repression and torture to suppress Tibetans who oppose Chinese rule, according to a report released Monday by Asia Watch, the U.S.-based human rights organization.

"The scale and volume of visible human rights abuses have greatly increased" over the last two years, said the report, which was based on information from Tibetan exiles and from foreign visitors to the area. Asia Watch accused the government of frequently using torture against protesters. Among many examples, it cited the case of a Buddhist nun who it said was manacled, severely beaten, then attacked by dogs.

The report also said the authorities had intensified government interference in religious affairs and had controlled population movements to ensure that ethnic Chinese could control the region. The Chinese authorities had no immediate comment.

Pyongyang Expels a Tass Reporter

PANMUNJOM, Korea (AFP) — North Korea has expelled one of the two Tass correspondents in Pyongyang, its capital, in what some observers saw as another sign that the hard-line Pyongyang government is resisting political change, sources said here Monday.

Alexander Shebin, a veteran correspondent based in Pyongyang for seven years, "left 16 days ago and is now in Moscow," said one source. "They asked the embassy to recall him; they told him to leave as soon as possible," said another source, speaking at Panmunjom, the truce village on the border between North and South Korea.

Mr. Shebin had written articles critical of President Kim Il Sung's closed regime, including one describing the difficulties of being a correspondent in Pyongyang. "Alexander had written those articles all along, the problem was that Tass was not publishing them before," said another source.

Koreans Reject Akihito Apology

SEOUL (AFP) — A majority of South Koreans find Emperor Akihito's apology about Japan's colonization of Korea unsatisfactory, a newspaper survey published on Monday showed.

In a telephone survey by the Seoul daily Dong-A Ilbo, 70.7 percent of 1,600 respondents said Emperor Akihito's apology was unsatisfactory and 23.5 percent said it was acceptable.

Emperor Akihito told the visiting South Korean president, Roh Tae Woo, at a state banquet last week that he felt "deepest regret" when he thought of the suffering Koreans underwent during the "unfortunate period." Japan annexed Korea in 1910, and it remained under Japan until 1945.

Najibullah Asks Peace Conference

KABUL (Reuters) — President Najibullah opened a tribal assembly on Monday with a call for an international conference to end a civil war that has torn Afghanistan for 12 years.

Addressing a long-awaited *Loya Jirgah*, a traditional tribal assembly, the president said the international conference should discuss external aspects of the Afghan war and include all countries directly or indirectly involved with the conflict.

"The government has sent messages to the United States and the Soviet Union about strengthening the national reconciliation process," the Afghan president said.

Burmese Junta Accepts Its Surprise Election Loss

By Steven Erlanger
New York Times Service

BANGKOK — In an extraordinary reassertion of their desire for democratic rule, the people of Burma have sharply repudiated their military rulers and given a landslide victory to the main opposition party, the National League for Democracy, whose leadership remains in prison or under house arrest.

Spokesmen for the military authorities acknowledged Monday that the league was winning two-thirds of the votes and said that the military would hand over power after the elected assembly agrees upon a constitution and a government is formed.

The representatives "can move as quickly as they like and take power," a spokesmen said in the first official comments.

In incomplete results for the Sunday voting, the league was well on its way to a majority of the 485 seats contested for the assembly.

Another official said: "Any government formed according to the constitution will be strong and stable. That is why we will hand over power to any government constituted after a written constitution."

He admitted that the league was winning about two-thirds of the vote in both urban and rural areas, with the government-backed National Unity Party winning nearly a third, but few seats in the first multiparty elections in 30 years.

The counting of votes has taken place in public, with the attendance of party representatives. Western diplomats said that large-scale manipulation of results now would be very difficult and would likely cause demonstrations and unrest.

"The people have spoken and have provided an astounding repudiation and humiliation to the military," a Western diplomat said. "They have spoken out about their treatment for the last two years and they have spoken against their rulers. We've reached the point that a transfer of power is called for, and pressure will build until it happens.

"But now we have to see what the military will do," he continued. "We can't assume they will behave rationally or even that they know what they will do in these circumstances, which they cannot have imagined. But I would hope there is the political wisdom there to embrace these results and not delay. The two sides have got to sit down and talk."

In Rangoon itself, diplomats said, the league won 59 of the 61 seats at issue. Its candidates had been disqualified in the remaining two seats. Even in the Dagon constituency, which houses the military headquarters and many military families, the league won, although by only 400 votes.

"Even the military voted against the military," a Western diplomat said.

Diplomats and League officials said that similar sweeps were occurring in other large cities, such as Mandalay, Prome and Taunggyi.

By contrast, the unity party had won only two seats thus far, both in Kayah State. The party chairman, U Tha Gyaw, and its spokesman, U Chit Hlaing, both lost.

The diplomats said pressure was building for the release from house arrest of the charismatic leader of the league, Daw Aung San Suu Kyi, whose boldness appears to have been resoundingly vindicated by the election results. She is the daughter of the country's founder, U Aung San, who was assassinated in 1947, just before Burma obtained independence from Britain.

Mrs. Aung San Suu Kyi, who is married to a Briton, returned to her country in early 1988 to care for her ailing mother, now dead, and became caught up in the pro-democracy rallies. They were crushed by the military in September 1988, when more than 3,000 unarmed demonstrators were killed and martial law established. The military then promised an eventual transition to democracy and "free and fair elections," but martial law was never lifted in much of the country. Criticism of the military authorities remains a criminal offense.

Mrs. Aung San Suu Kyi drew increasingly large crowds to her rallies, during which she attacked the military authorities and General Ne Win, the country's eccentric and long-time ruler. She was placed under strict house arrest last July. The party's chairman, a former general, U Tin Oo, was also put under house arrest, and was sentenced in December to three years in prison with hard labor for "sedition," in particular for "inciting the people to misunderstand the government."

At least 400 members of the league are currently under arrest or other forms of detention, and the party has been harassed consistently by the military authorities, who have questioned its loyalty and patriotism, saying that Mrs. Aung San Suu Kyi is a sexually perverse and Westernized dupe of Communists.

But her incarceration has only added to her mystique, rendering her a potent martyr figure, and many young women have copied her hairstyle and Kachin-style *longgyi*.

One diplomat agreed that the Burmese, who had seen their own aspirations for democracy crushed with a loss of life far exceeding that a year ago in China, had taken heart from events in Eastern Europe and Nicaragua, which they knew about from the BBC and the VOA.

But he warned that the military could yet alter the rules, and cautioned that writing a new constitution may be a difficult process, especially on the traditionally fraught question of autonomy for ethnic minorities from central authority. And then, he said, there was the problem of thinking coherently about economic policy in a traditionally statist country isolated from the West even more than East Europe has been.

He and others also noted that the last civilian government, elected in the last multiparty elections in 1960, survived only two years before General Ne Win seized power once more in a coup, power maintained unbroken until now.

Walesa Derails 8-Day Strike

Polish Labor Chief Solidifies His Challenge to Jaruzelski

By Blaine Harden
Washington Post Service

WARSAW — Lech Walesa, the trade union leader who has orchestrated a decade of political change in Poland, on Monday negotiated the end of an eight-day rail strike.

In a meeting with strike leaders, the former shipyard electrician, whose judgment and political worth have been doubted lately, also re-established his political credentials.

The settlement appeared likely to help Mr. Walesa's campaign to replace Wojciech Jaruzelski as president of Poland.

Mr. Walesa traveled late Sunday, from his residence in Gdansk to the nearby Baltic city of Slupsk, where he persuaded railway workers to end a strike that had closed ports and idled trains across the northern half of the country.

At his urging, the rail workers also suspended — for two weeks — plans for a nationwide strike. The Transport Ministry said that all rail service should return to normal within two days.

"On our road to democracy, there are various dangerous bends," Mr. Walesa said Monday. "The railwaymen's protest was one of them." He had warned earlier that the strike could lead to anarchy and civil war.

"Everyone must draw lessons and conclusions from this. Too many groups in Polish society have it tough because hardship is not shared equally. The government and all trade unions should look carefully at the problems of working people," he said.

On Sunday the rail workers, who are demanding a 20 percent salary increase, called for a 90-minute nationwide warning strike; it was to have occurred Monday. They also threatened that, unless the government responded to their wage demands, an indefinite national rail strike would begin Tuesday.

The workers had posed the most serious challenge so far to the Solidarity government that came to power last fall. Its leader, Prime Minister Tadeusz Mazowiecki, had responded by categorically ruling out higher salaries.

Mr. Mazowiecki said that any strike-forced increases would prompt similar demands from other workers and would wreck a five-month-old economic recovery program that has sharply reduced inflation.

The program has won applause and attracted billions of dollars of Western aid. But it also has triggered widespread unemployment and slashed living standards in one of Eastern Europe's poorest countries.

The strike threat coincided with — and overshadowed — the first fully free elections in Poland in half a century.

The turnout in Sunday's voting, in which more than 50,000 officials were chosen for local councils, was only 42 percent, exactly 20 percentage points lower than in last year's parliamentary election that set the stage for an end to Communist rule.

Preliminary official results in the 52,000 individual races were not expected until Wednesday.

The Solidarity newspaper Gazeta Wyborcza on Monday suggested that the low turnout was a sign of the unpopularity of changes taking place here. "Fewer people at the polls is the expression of a weaker belief in the program of democratization," the paper said.

General Blames Nicu Ceausescu For Sibiu Deaths

Reuters

SIBIU, Romania — A Romanian general blamed the son of the executed dictator Nicolae Ceausescu on Monday for 89 killings in the central city of Sibiu during the December revolution.

"He told me: 'We are in a state of war, not in a state of alarm. Let's finish it off'," General Aurel Dragomir told a military tribunal trying Mr. Ceausescu's son Nicu on a charge of genocide. He faces life imprisonment if convicted.

"What did you understand by that?" the presiding judge asked.

"He meant the use of force," said the general, who was army commander in Sibiu, where Mr. Ceausescu was head of the local Communist Party.

Mr. Ceausescu, 39, denied on the first day of his trial on Saturday that he had ordered troops to open fire without warning on unarmed demonstrators during the uprising.

TRAVEL UPDATE

Paris Air Service Disrupted by Strike

PARIS (UPI) — A strike by air controllers seeking higher pay and better working conditions sharply reduced traffic at Orly and Charles de Gaulle airports near Paris on Monday.

Officials said only 368 airplanes were able to land or take off at Charles de Gaulle compared to the normal 700 during a weekday. At Orly there were only 271 takeoffs and landings compared to 565 on a normal day.

Air France was able to maintain all of its long distance flights but had to cancel 54 percent of its medium-range flights. The domestic airline Air Inter and the regional carrier TAT each canceled about half of their regularly scheduled flights.

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Amsterdam	21	70	5	41	fr
Athens	29	84	20	68	fr
Barcelona	22	72	14	57	fr
Belgrade	—	—	—	—	—
Berlin	15	59	7	45	fr
Brussels	19	66	8	46	fr
Budapest	19	66	12	54	fr
Copenhagen	14	57	4	39	fr
Costa Del Sol	23	73	15	59	fr
Dublin	17	63	9	48	fr
Edinburgh	17	63	3	36	fr
Faro	26	79	16	61	fr
Florence	—	—	—	—	—
Frankfurt	15	59	4	39	fr
Geneva	17	63	7	45	fr
Helsinki	11	52	3	36	fr
Las Palmas	25	77	20	68	fr
Lisbon	26	79	15	59	fr
London	20	68	10	50	fr
Luxembourg	13	55	7	45	fr
Madrid	23	73	11	52	fr
Milan	—	—	—	—	—
Moscow	15	59	5	41	fr
Munich	14	57	5	41	fr
Nice	21	70	15	59	fr
Oslo	15	59	6	43	fr
Paris	21	70	10	50	fr
Prague	12	54	3	36	fr
Reykjavik	12	54	3	36	fr
Rome	—	—	—	—	—
Stockholm	14	57	5	41	fr
Strasbourg	19	66	7	45	fr
Venice	—	—	—	—	—
Vienna	17	63	8	46	fr
Warsaw	14	57	—	—	—
Zurich	17	63	6	43	fr

MIDDLE EAST

Ankara	—	—	—	—	—
Cairo	—	—	—	—	—
Istanbul	—	—	—	—	—
Jerusalem	30	86	16	61	fr
Tel Aviv	29	84	18	64	fr

OCEANIA

Auckland	—	—	—	—	—
Sydney	18	64	15	59	sh

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	33	91	26	79	th
Beijing	27	81	19	66	th
Hong Kong	27	81	24	75	th
Manila	31	88	27	81	th
New Delhi	43	109	29	84	clear
Seoul	28	77	14	61	fair
Shanghai	28	79	17	63	fair
Singapore	31	88	27	81	th
Taipei	28	82	25	77	th
Tokyo	28	82	17	63	fr

AFRICA

Algiers	—	—	—	—	—
Cape Town	22	72	7	45	fr
Casablanca	22	72	14	57	fr
Harare	21	70	9	48	fr
Lagos	30	86	25	77	th
Nairobi	23	73	13	55	fr
Tunis	24	75	14	57	c

LATIN AMERICA

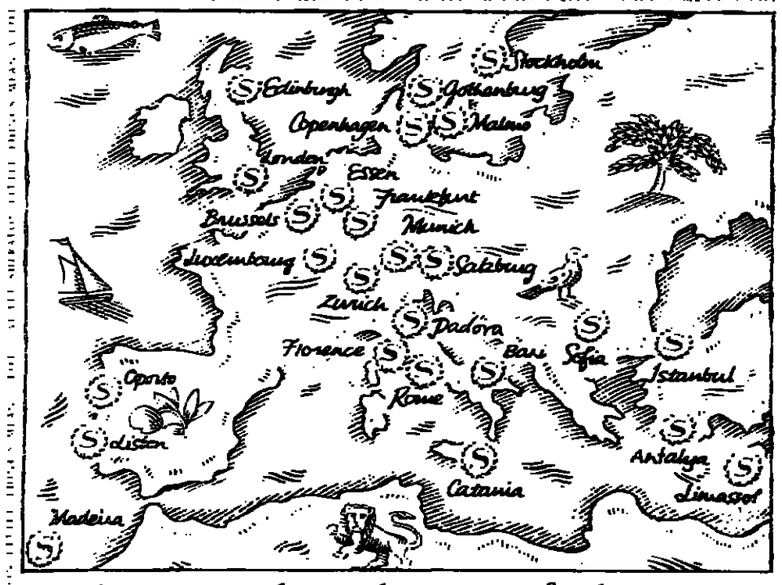
Buenos Aires	14	57	9	32	fr
Lima	21	70	14	61	cl
Mexico City	27	81	14	57	pc
Rio de Janeiro	27	81	21	70	sh

NORTH AMERICA

Anchorage	13	59	5	41	c
Atlanta	28	82	20	68	th
Boston	24	75	14	57	pc
Chicago	24	75	10	50	pc
Denver	25	77	10	50	pc
Detroit	24	75	11	52	fr
Honolulu	29	84	20	68	fr
Houston	33	91	23	73	pc
Los Angeles	22	72	15	59	pc
Miami	31	88	24	75	pc
Minneapolis	23	77	12	54	pc
Montreal	22	72	7	45	pc
Nassau	31	88	24	75	pc
New York	23	73	15	59	pc
Phoenix	35	95	21	70	pc
San Francisco	17	63	10	50	pc
Seattle	17	63	11	52	cl
Toronto	25	77	9	48	fr
Washington	22	72	12	63	th

cl-cloudy; fr-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; t-stormy.

TUESDAY'S FORECAST — CHANNEL: Slight. FRANKFURT: Fair. Temp. 18 — 7 (64 — 45). LONDON: Cloudy. Temp. 18 — 9 (64 — 48). MADRID: Fair. Temp. 28 — 8 (82 — 46). NEW YORK: Fair. Temp. 22 — 7 (72 — 45). PARIS: Fair. Temp. 21 — 10 (70 — 50). ROME: Fair. Temp. 25 — 14 (77 — 57). TEL AVIV: Hot and Sunny. ZURICH: Fair. Temp. 20 — 5 (68 — 41). BANGKOK: Showers. Temp. 33 — 26 (91 — 79). HONG KONG: Fair. Temp. 27 — 24 (81 — 75). MANILA: Showers. Temp. 33 — 23 (91 — 73). SEOUL: Cloudy. Temp. 25 — 15 (77 — 59). SINGAPORE: Fair. Temp. 32 — 27 (91 — 81). TOKYO: Fair. Temp. 24 — 17 (73 — 63).



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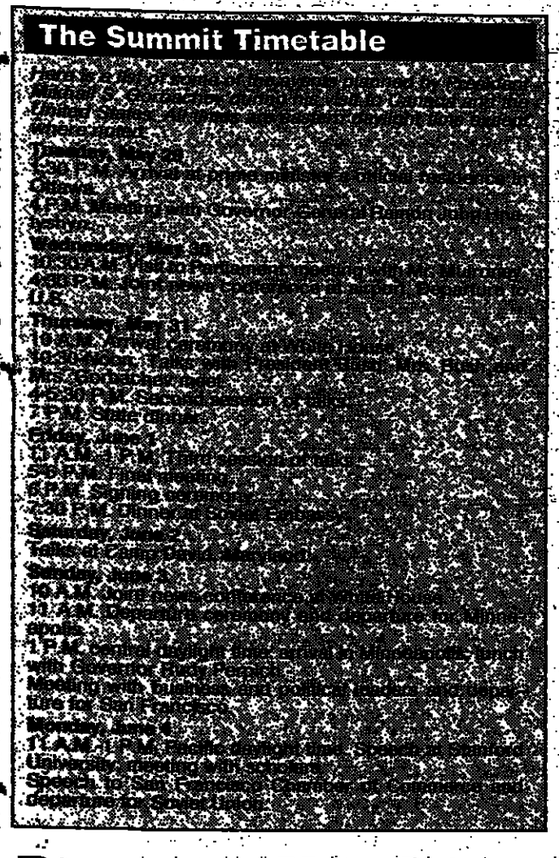
THE SUMMIT: A different agenda and new doubts mark the superpowers' meeting this week.

The Summit Timetable



Leaders to Deal With Changed Status and the New Realities

By R.W. Apple Jr.
New York Times Service

WASHINGTON — This week's summit conference between President George Bush and President Mikhail S. Gorbachev promises to be different from any other.

Different, first of all, because the shape of the new Europe, not arms-control agreements or ideological argument, will be its principal focus.

That difference flows from others: For the first time, a Soviet leader approaches the bargaining table from a position of real weakness at home, with some Western analysts doubting his ability to last another year and others, more confident of his survival, doubtful about his long-term ability to lead.

For the first time as well, the two superpowers find their status in doubt.

Though arms-control details and discussions have dominated the preliminary negotiations for the second encounter between Mr. Bush and Mr. Gorbachev, this is misleading. Broad agreement will no doubt be reached to reduce strategic arms, though by less than the 50 percent originally sought, and on chemical weapons, two items from the old East-West agenda.

But the success of the meeting will better be measured by the degree to which the leaders come to grips with the new power realities forced on them by a year of constant change.

Both sides appear to understand this as they ponder the consequences of a moribund Warsaw Pact, a North Atlantic Treaty Organization that has lost its main mission, a united Germany and a disintegrating Soviet bloc. Making sense, and stability, of it all is a challenge worthy of Metternich.

"The fundamental issues at the summit are not going to be arms control," Brent Scowcroft, the national security adviser, said Sunday in a television interview. "The fundamental issues are remaking a political map of Germany and also secondarily what's going on in the Soviet Union."

NEWS ANALYSIS

On another program, Alexander N. Yakovlev, a major adviser to Mr. Gorbachev, emphasized the same issues and added, "We should expect this meeting will be much more significant than the previous ones."

Arms control, as a leading European diplomat put it the other day, matters most when there is no chance of basic political change.

"You nibble away at the edges, hoping to reduce the possibilities that the underlying hostilities will lead to Armageddon."

But now there is basic political change aplenty, notably in the Soviet Union and in the Germanys, which seem to be re-emerging as Europe's largest, richest and most powerful land, undoing the balance of power that once existed between NATO and the Warsaw Pact.

Political and economic imperatives may accomplish what arms control has not and perhaps will not. The 380,000 Soviet troops now in East Germany are highly unlikely to stay there very long; they may be bargained out, but if they are not, at least some of them will probably have to leave because the Soviet Union cannot maintain them or does not think the effort worthwhile. The process might already have begun, except that the Kremlin has no housing or jobs to give returning soldiers.

As they approach this week's discussions, Mr. Gorbachev and Mr. Bush still control the bulk of the world's nuclear weapons: more than 95 percent, by most calculations. But in their different ways, they have lost control over other matters.

The Soviet leader will leave a capital gripped by panic buying, with political power dubious and fragmented, with a sullen almost rebellious populace, with part of an old bloc gone and other parts yearning to leave.

Except in the military sphere, the Soviet Union has lost its place at the head of the list of nations.

No such crises confront Mr. Bush, but he is struggling to redefine and to hold together the NATO alliance that has provided the United States its principal entrée into Europe since World War II, at a time when Europe seems to stand on the verge of its greatest postwar strength and cohesion.

Mr. Bush must deal with economic challenges to American leadership from Japan and from a reinvigorated Europe, anchored by a Germany moving rapidly toward reunification.

These fresh realities will shape the negotiating positions here.

Mr. Gorbachev, who has achieved so much despite a position of weakness, is now trying to avoid allowing a unified Germany to become a full NATO member. From the Soviet viewpoint, that would in effect undo the results of World War II, because Moscow saw the partition of Germany as one of the chief benefits of its hard-won victory.

Mr. Bush, arguing from a much stronger position, must try to persuade the Soviets to accept German membership in NATO, the chosen American vehicle for "the new architecture of Europe," because only NATO, not the European Community or the nascent Conference on Security and Cooperation in Europe, would allow the United States a significant role in European decision-making.

The president is not without weapons in this endeavor. His West German allies have already offered a wide range of economic inducements to the Soviet Union, largely involving the direct payment of marks.

If some compromise on Lithuania and the other Baltic states, a ticklish subject that Mr. Bush has promised to raise at the meeting, can be reached in coming weeks, the United States would be in a position to offer trade concessions, such as most-favored-nation status, and other economic assistance.

In an interview last week with the BBC, Mr. Bush set his own agenda for this week. He said he was looking for answers to such questions as these: "How does post-German-unification Europe look? Who will be calling the shots? What is the role of the United States in terms of stability?"

What he meant, of course, was not that Mr. Gorbachev could supply the answers at this meeting, but that the Soviet leader's attitudes would be a major factor in the direction that U.S. policy ultimately takes.

Much may turn on the answer to a pair of decisions. Mr. Gorbachev said last week that he would never let NATO, with Germany a member, play the leading role in building a new European security order, as Mr. Bush wants it to.

Mr. Bush will therefore have to decide how deeply committed his counterpart is to that view, and, if he concludes that Mr. Gorbachev will not budge, he will have to decide how far the West, which holds most of the cards, should push the Soviets on the status of Germany at the risk of generating lasting resentment in Moscow that might undermine the Europe everyone is working so hard to construct.

Soviets Razing Huge Radar

By Don Oberdorfer
Washington Post Service

WASHINGTON — The Soviet Union has begun to dismantle its disputed Krasnoyarsk radar station in an attempt to clear the way for a landmark strategic arms treaty, U.S. and Soviet officials said Monday.

The report came as negotiators met here to resolve arms issues in time for a joint statement to be issued by President George Bush and President Mikhail S. Gorbachev later this week.

The Bush administration, like the Reagan administration before it, has said it will not sign a new Strategic Arms Reduction Treaty until the Soviets dismantle the giant radar, which the United States has long considered a violation of the 1972 Anti-Ballistic Missile treaty.

Mr. Bush and Mr. Gorbachev hope to announce during this week's summit meeting that they have settled all major issues blocking a START accord, which could be formally signed by the end of the year.

Mr. Gorbachev told Mr. Bush in a letter last September that the Soviet Union would take down the radar without conditions. About a month later, on Oct. 23, Foreign Minister Eduard A. Shevardnadze declared that construction of the radar, which he said is the size of an Egyptian pyramid, was "a clear violation" of the ABM Treaty.

Despite the Gorbachev and Shevardnadze public statements, U.S. officials noted continuing controversy about the status of the radar in military circles in Moscow. A U.S. source said that only in recent days was there evidence that the process of dismantling the radar actually has begun.

Mr. Gorbachev ordered construction of the radar halted in October, 1987, after which the Soviets made several proposals to use the giant radar for space-related research, under Soviet or international auspices. All the proposals were rejected by the United States.

Bittersweet Nostalgia Awaits Gorbachev on 36-Hour Canada Visit

By William Claiborne
Washington Post Service

OTTAWA — When President Mikhail S. Gorbachev steps off his plane here Tuesday for a 36-hour layover and a series of meetings with Prime Minister Brian Mulroney on the eve of the summit meeting in Washington, he may experience a moment of bittersweet nostalgia.

It was here that the seeds of *perestroika* were nurtured when Mr. Gorbachev, then a relatively obscure agricultural minister, visited Canada in 1983 and held long, private discussions with the then Soviet ambassador to Ottawa, Alexander N. Yakovlev.

Mr. Yakovlev, now one of the Kremlin's most powerful figures and Mr. Gorbachev's right-hand man, was winding up a 10-year diplomatic posting here that had amounted to a sort of political exile for past transgressions. He is not scheduled to accompany Mr. Gorbachev to Canada and Washington, Canadian officials said, adding that the Soviet president presumably wants his trusted aide, who is second-in-command in the Politburo, to remain in Moscow to handle political tensions at home.

Ministry officials said that Mr. Mulroney, who last November became the first Canadian prime minister in 18 years to travel to Moscow, will discuss a number of issues with Mr. Gorbachev, including German reunification and other developments in Europe, international economic developments and changes in the Soviet Union.

The two are also expected to exchange views on a restructured North Atlantic Treaty Organization, of which Canada is a member. Ottawa would like to see NATO assume a wider political role, and Mr. Mulroney and External Affairs Minister Joseph Clark are reported to be working on a new policy position on Europe.

Canadian officials said that Arctic environment issues will be discussed, particularly Canada's concerns that the Soviet Union plans to renew testing nuclear weapons in 1993 on the Arctic island of Novaya Zemlya, between the Barents and Kara seas. The Canadians fear that underground nuclear explosions may vent radioactive debris into the atmosphere.

Mr. Mulroney has suggested he will remind Mr. Gorbachev of a promise the Soviet president made about the breakaway Baltic republics when the two met in Moscow last year. At that time, Mr. Mulroney said, both Mr. Gorbachev and Foreign Minister Eduard A. Shevardnadze promised there would be no crackdown against the republics.

Looking back on Mr. Gorbachev's first visit to Canada, a senior Sovietologist in the Ministry of External Affairs recalled that Mr. Gorbachev and Mr. Yakovlev "had quite a bit of time together" during that stay.

Mr. Yakovlev, widely viewed as an architect of Soviet change, had developed a keen understanding and appreciation of the West — and North America in particular — after his travels during an era of détente between 1973 and 1978, the Canadian diplomat recalled.

He said that after the Soviets announced their withdrawal from Afghanistan and Canada reciprocated by announcing plans to restore suspended exchange programs, Mr. Yakovlev appeared to have been moved by the heated objections raised at the time by Canadian scientists, who complained that the Nobel Prize-winning physicist, Andrei D. Sakharov, was still under house arrest in Gorky.

"Yakovlev was the man who recommended the return of Sakharov and his wife to Moscow. The Canadian scientists had turned 180 degrees, and he realized the importance of human rights here," said the ministry official, who asked that he not be identified.

French Youth Confesses Hoax

Reuters

PARIS — A black French youth who said her head was forcibly shaved by racists has admitted that she fabricated the story after a botched attempt at restyling her hair, police sources said Monday.

The 16-year-old, identified by police only as "Annie," received national publicity last week after she arrived home in tears and said she had been attacked by white youths who insulted her and shaved her head.

The girl's foster parents, who are white, filed charges against unknown persons in her hometown of Avignon, and the case was taken up by senior investigators from Paris. They now say that "Annie" invented the story after a failed attempt by a friend to style her hair like that of the singer Grace Jones.

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Published With The New York Times and The Washington Post

Edited in Paris TUESDAY, JUNE 19, 1989 Printed in New York

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While volume sales showed a sizeable increase, the weakness of major foreign currencies such as the US dollar, the Japanese yen, and the pound sterling vis-à-vis the D-mark led to a drop in revenue. Expressed in D-mark terms, pretax earnings of the worldwide Group slumped 6.6% in the first quarter of 1990 to DM 845 million from DM 905 million in the same 1989 period.

For the parent company, BASF Aktiengesellschaft, pretax profit advanced 2% to DM 499 million from DM 489 million. Sales eased to DM 5.7 billion from DM 5.9 billion in the first quarter of 1989.

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Outlook

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Iraq Renews Its Threat Against Israel

By Alan Cowell
New York Times Service

BAGHDAD — President Saddam Hussein of Iraq took a hard line against Israel and the United States as Arab leaders opened a summit meeting here Monday.

Mr. Hussein, apparently in an effort to carve out a new role as a leader among Arabs, again told Israel that he would respond to any deployment of weapons of mass destruction against his country by using similar weapons against Israel.

The comments, reflecting what officials here call Iraq's profound suspicion that Israel is preparing a pre-emptive strike against Baghdad's growing military strength, set a bellicose and anti-American tone for the gathering, reversing efforts by Egypt and Saudi Arabia to mute inflammatory rhetoric.

The Iraqi leader identified the United States as the sponsor of Israeli policies.

Referring to Israel as "the Zionist entity," a usage now abandoned by many Arab countries, he said it "would not be able to implement its expansionist policies at the expense of the Arabs were it not for the economic and military assistance of the United States."

"The United States cannot maintain such a policy while professing friendship toward the Arabs," he said.

Egypt and Saudi Arabia, Arab and Western diplomats said, have sought to avoid an open rift with the United States so as to avert new obstacles in Washington's stalled effort to promote a Palestinian-Israeli dialogue.

The Iraqi leader said: "The United States bears major responsibility, even the primary responsibility, for the Israeli aggression directed against the Palestinian people."

He apparently was referring to Israeli efforts to crush the Palestinian revolt that has been under way in the occupied West Bank and Gaza Strip for almost 30 months.

The two-day Baghdad meeting, called by Mr. Hussein and the Palestine Liberation Organization chairman, Yasser Arafat, is supposed to focus on Soviet Jewish immigration to Israel.

It is also to consider Iraq's attempt to marshal support against what Baghdad sees as a Western campaign to thwart its acquisition of advanced weaponry.

But the impact of the gathering has been diluted by the absence of five Arab leaders — those of Oman, Syria, Lebanon, Algeria and Morocco.

Of those countries, the most prominent in Arab diplomacy is Syria. It is the strongest Arab military power sharing a border with Israel and has long cast itself as the custodian of militant Arab politics.

But Syria and Iraq are estranged by long-standing disputes. The Libyan leader, Colonel Moammar Gadhafi, flew to Damascus on Sunday to try to persuade President Hafez Assad to attend, but failed to do so. His stay in the Syrian capital forced a delay in the opening of the meeting Monday.

The meeting is widely regarded by Western and Arab diplomats as part of an effort by President Hussein to carve out a new role as a leader among Arabs, following what Iraq says was its victory in the war with Iran.

The gathering thus offers the Iraqi leader a platform to appeal directly to many Arabs frustrated by the slow pace of peace efforts, over the heads of their leaders.

"If attacked and hit, we will strike back forcefully," Mr. Hussein declared Monday.

Last month, the Iraqi leader announced that his country had developed a chemical weapons capability and would use it to "burn half of Israel" if Israel attacked with nuclear weapons.

The warning drew widespread Arab support, but diplomats here said it did not imply an Iraqi threat to strike first.

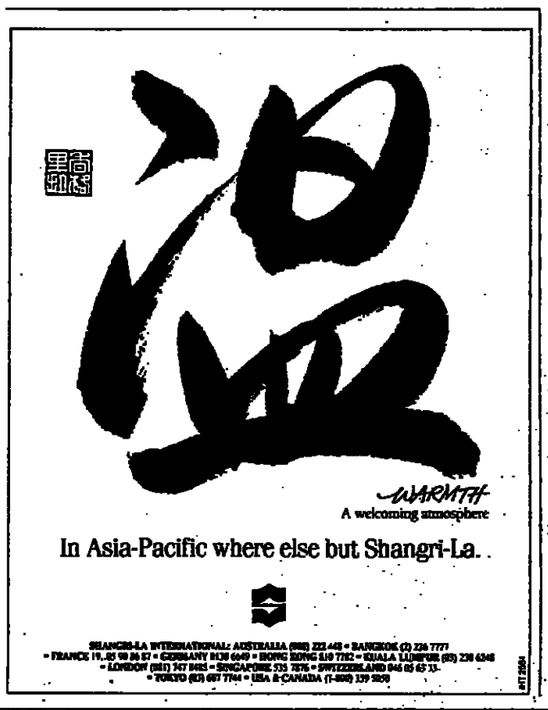
In advance of the Baghdad meeting, Egypt, the only Arab country formally at peace with Israel, said it had secured guarantees from both Iraq and Israel that they would not launch a first strike.

But when he addressed the gathering, President Hosni Mubarak, the most prominent U.S. ally in the Arab world, seemed at odds with the militant tone of the gathering.

While King Hussein of Jordan called Soviet Jewish immigration to Israel "aggression against all Arab countries," Mr. Mubarak said: "We should not deal with the issue of Soviet Jewish immigration from the logic of fear. This issue should not necessarily be a source of conflict and confrontation."

Frederic Neema/Reuters

President Saddam Hussein of Iraq at the opening of the Arab League meeting in Baghdad.



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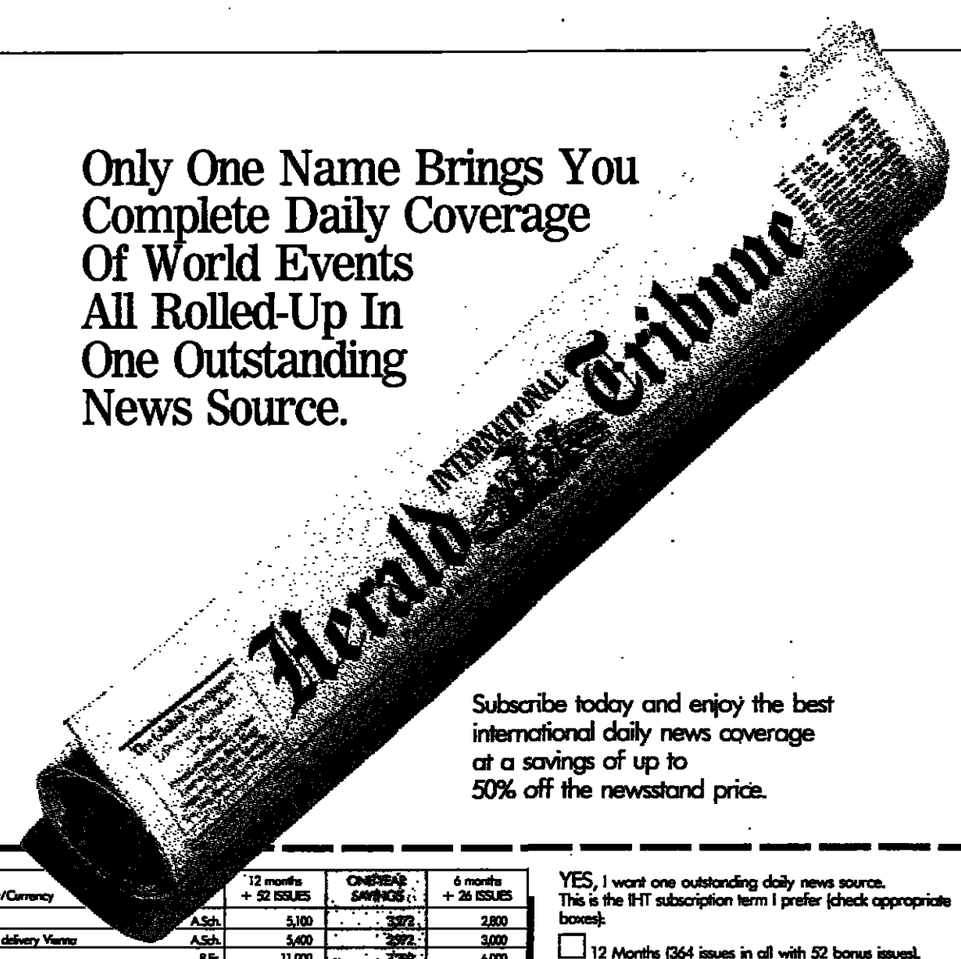

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Muscovites Only: A Passport Control at Capital's Food Stores

Washington Post Service

MOSCOW — They set up a passport control on Monday at the entrance to Food Store Number Four, just opposite the Kiev railroad station. Anyone with a Moscow registration stamp in his passport was allowed in the door. Everybody else was turned away.

"It's shameful, absurd," said Vladimir Polischuk, a Ukrainian private farmer visiting the Soviet capital for the weekend. "The Ukraine feeds the whole of Russia. I sell milk to the state, but I can't even buy my own produce when I come to Moscow."

His friend, Vladimir Semyonov, a Ukrainian factory worker, took a ruble note out of his pocket and examined it carefully.

"Look," he said. "It says here that the ruble is a negotiable currency all over the Soviet Union. It's a lie. It's a worthless piece of paper. My wallet is full of money, but I can't spend it."

The scene outside Foodstore Number Four was repeated in hundreds of stores all around the capital on Monday as tough new consumer restrictions came into force to curb a wave of panic buying.

Store shelves were virtually cleared out over the previous three days as shoppers bought everything they could lay their hands on after the government announced a series of big price increases beginning July 1.

Fierce arguments broke out between residents and nonresidents over the fairness of the regulations.

The Associated Press

Moscow residents showing passports Monday at a food store as clerks barred entry to nonresidents.

By Western standards, the Soviet capital is poorly supplied. In the Soviet Union, however, Moscow is still regarded as a consumer showcase, attracting millions of shoppers from surrounding regions.

"We hope that the lines will start to become a little shorter now," said Galina Pokidova, the director of Foodstore Number Four, as she broadcast announcements telling shoppers that they were limited to buying 10 ounces (300 grams) of butter, a pound (450 grams) of coffee, 4 pounds of meat and 2 pounds of macaroni.

"At least Muscovites will be able to come and shop here peacefully," she said.

A middle-aged matron from the Central Asian republic of Kazakhstan, Nela Shalsko, waited outside the director's office to ask for special permission to buy some sausage, explaining that she was in Moscow on a business trip.

"We send meat and milk to Moscow from Kazakhstan," she said, dabbing her eyes with a handkerchief. "Why can't we buy it?"

"Don't advertise yourself so much," snapped Miss Pokidova. "Of course you send meat to Moscow; we get products from all over the country. What gives you the right to say that you produce more than anyone else?"

Mr. Gorbachev went on television on Sunday night to defend the government's proposals for a transition to a "regulated market economy" and to appeal to the population not to panic. But his speech, in which he seemed uncharacteristically ill at ease, does not appear to have succeeded in convincing many doubters.

"Of course all these plans for a market economy will not produce any results," predicted an elderly woman, scurrying away from a foodstore with a shopping bag crammed full of milk products. "The poor will become even poorer and the rich will get richer. That's all that's going to happen."

"The intellectuals understand the need for a real market, but the ordinary people don't," said Vladimir Skversov, a mathematician, insisting that he still believed in Mr. Gorbachev. "We're going to have a very difficult time for five years. Then, perhaps, if we are lucky, things will get a little better."

■ Yeltsin Renews Campaign

The populist politician Boris N. Yeltsin, renewing his bid for the presidency of the Russian Republic on Monday, offered conservatives a share in a coalition government, Reuters reported from Moscow.

The Communist Party establishment again maneuvered to stop his election as leader of the largest of the Soviet Union's 15 republics, which would give him a power base to strengthen his challenge to Mr. Gorbachev.

In a switch that left some radical deputies shaking their heads, the party dropped its support for the hard-liner Ivan Polozkov and resurrected the candidacy of a junior Politburo member, Alexander V. Vlasov.

Mr. Vlasov, Mr. Gorbachev's original pick, withdrew in apparent disgrace on Friday, after a lacklustre defense of the Kremlin leader's policies.

But he rejoined the contest on Monday and Mr. Polozkov pulled out saying he did not want to split the Russian parliament, which is already polarized between the Yeltsin insurgents on the radical flank and the conservative party apparatus.

It was not clear whether the tactical move toward Mr. Vlasov, a centrist, could stop the momentum building behind Mr. Yeltsin. A third minor candidate was given no chance.

The ballot by the 1,060 parliamentary deputies was set for Tuesday.

SOVIETS: *22 Dead in Armenia*

(Continued from Page 1)

that bands of between 15 and 20 gunmen had attacked army posts in several other regions of Armenia during the night, seizing weapons and injuring several soldiers.

Similar incidents have been a nightly occurrence for the past week.

Tension was also reported to be high in the largely Armenian-inhabited enclave of Nagorno-Karabakh in Azerbaijan, which has been at the center of the dispute between the two southern republics. The Armenian government last week defied Moscow by allowing Armenians in Nagorno-Karabakh to vote in elections for the new Armenian legislature.

Troops occupied the main square in Stepanakert, the provincial capital, to prevent a demonstration marking Armenia's independence day.

The head of the Interior Ministry troops, Colonel General Yuri Shatalin, in Yerevan, described the situation in Armenia as explosive. He said that armed bands were building up huge arsenals of weapons.

"Our troops do not want this bloodshed," he said, "but the terrorists are forcing them into it."

The Tass news agency reported that General Shatalin had met with leaders of armed Armenian groups over the weekend to ask that they lay down their arms.

Tass said his request was rejected.

OIL: *A Tainted Blessing for Soviets*

(Continued from Page 1)

stopped working effectively by the early 1970s, but the failure was masked for an entire decade by huge incomes from oil," said Otto Latsis, editor of the Communist Party's theoretical journal, Kommunist.

The oil riches of western Siberia allowed the Kremlin to project Soviet power into Asia, Africa and Latin America. Soviet petrodollars helped pay for the 10-year war in Afghanistan, the stationing of Cuban troops in Angola and Ethiopia, and Vietnam's invasion of Cambodia. Plentiful supplies of cheap energy gave an extra lease on life to corrupt and inefficient Communist regimes in Eastern Europe.

According to Mr. Latsis, the Kremlin earned more than $200 billion by exporting oil and gas to Western countries over the past 15 years. Huge as this figure may seem, it represents only a small proportion of the total volume of Siberian oil. Roughly 75 percent of Soviet oil production is reserved for domestic consumption. A further 10 to 15 percent has been earmarked for the Soviet Union's Communist allies.

World oil prices fell sharply soon after Mr. Gorbachev came to power in March 1985. At the same time, extraction costs began to spiral. Drillers like Mr. Pomogaibin were no longer hitting huge gushers every time they sank a well. Kremlin policy-makers were suddenly faced with a much more hostile economic environment. They discovered that the energy crisis — dismissed by Soviet ideologists in the 1970s as a uniquely capitalist phenomenon — could also affect socialist countries.

"The oil money was a kind of drug," said Stanislav Shatalin, a leading economist and a member of Mr. Gorbachev's Presidential Council. "Like any drug, it created the illusion of strength while destroying the body even more and making the disease even more fatal."

Mr. Shatalin has access to confidential government information. But even he acknowledges that it is practically impossible to account for the billions of petrodollars earned during the oil boom.

"We have built a madhouse in our economy and we live by the laws of this madhouse," he told the progressive weekly magazine Ogonyok. "Not a single spy in the world — from Scotland Yard, nor the CIA nor our own most respected KGB — could reveal what happened to all the hard currency we earned from west Siberian oil. We wasted these huge earnings irresponsibly. They have vanished into thin air."

Sales to the West of Siberian oil and natural gas accounted for roughly 60 percent of Soviet hard currency earnings over the past 15 years. The Soviet oil boom, fueled by soaring oil prices after the 1973 Arab-Israeli war, coincided with the start of a much more activist Soviet policy toward the Third World.

Recently released Soviet statistics show that the Soviet Union is owed the ruble equivalent of $136 billion by its socialist allies and developing countries in the Third World. In an attempt to strengthen its positions around the globe, the Soviet Union sent giant steel mills to India, modern fighter planes to Syria, tanks and helicopters to Iraq. Most of the aid will never be repaid.

The huge loans to the Third World were justified in the name of socialist internationalism, at a time when imperialism seemed to be in full retreat. In the 1970s, Soviet ideologists were convinced that the tide of history was moving in their direction. The United States was still suffering after Vietnam. Western Europe was reeling from the impact of the energy crisis.

In fact, the triumphant tones struck by Kremlin propagandists concealed enormous failures. A sizable proportion of the Soviet Union's oil wealth was squandered on grain imports from the West, which quadrupled in volume between 1970 and 1983. The money earned from oil performed a similar function to the hard currency debts amassed by East European countries in the 1970s. Instead of reforming inefficient economies, the region's rulers relied on injections of outside funds.

It was not until 1985 — the year that Mr. Gorbachev came to power — that the impact of the oil crisis began to be felt within the Soviet Union. This was the year the world oil price fell from $30 to $15 a barrel. It also was the first year in more than two decades that Siberian oil output actually declined.

The new Soviet leader responded to the shortfall by flying to Tyumen and urging the oil workers to redouble their efforts. New wells were sunk, and production picked up. Over the last two years, however, it has again fallen — and this time it seems unlikely that the decline can be reversed.

"After the big oil fields that were opened in the 1970s are exhausted, our energy situation will be very similar to America's," said Mr. Latsis, the economist. "We still have a lot of oil, but we need modern technology to extract it. Unless we dramatically increase investment in the oil industry over the next five years, production is bound to go down."

Until now, the Soviets have mainly relied on water-injection techniques, forcing the oil to the surface by building up pressure. This is an economical method of extracting light oil from huge fields but is ineffective in lifting heavy oil out of new deposits. It also tends to leave oil fields waterlogged.

The Kremlin is in an economic bind. Declining oil revenues make it more difficult to purchase expensive equipment in the West. Without Western technology, however, oil production is likely to decline even further. Mr. Latsis predicted that production could fall as much as 10 percent by 1994, reducing Soviet oil exports to the West to virtually zero.

"We are discussing what to buy abroad: bread or equipment. In four or five years, we may not be able to buy anything at all," he warned in a recent article for the newspaper Rabochaya Tribuna.

In the short term, there is only one way out of the impasse. If the Soviet Union no longer produces enough oil to sell to the West, it must end the system of preferential trading with its former East European satellites. Countries such as Poland, Hungary and East Germany have been notified that they will be charged for Siberian oil in dollars at world prices starting in 1992 at the latest.

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Ian Waldie/Reuters

An Israeli policeman redirected pedestrians after a bomb exploded Monday at a market in Jerusalem.

Jerusalem Bomb Kills 1 and Hurts 9

New York Times Service

JERUSALEM — A bomb exploded Monday at a street market in the predominantly Jewish sector of Jerusalem, killing one man and wounding nine other persons.

Police arrested several Palestinians as a crowd of angry shoppers assaulted them, shouting, "Death to the Arabs."

A news photographer was hospitalized after being attacked by the crowd, some of whose members said the media supported the intifada, the 29-month-old Palestinian uprising against Israeli occupation of the West Bank and Gaza Strip.

Monday's incident was the latest of several attacks on Jews since the murder on May 20 of seven Palestinians by a gunman who was said by Israeli authorities to be deranged.

The bombing came amid rising tensions in the occupied territories, fueled by a hunger strike by several Palestinians in Jerusalem and a planned demonstration by the extremist Kach Party, led by Rabbi Meir Kahane, in Rishon Le-Zion, where the Palestinians were killed, in support of the accused murderer.

The bombing, for which no organization claimed responsibility, coincided with the opening of an Arab summit in Baghdad.

It followed the latest directive from the intifada's Unified Command, which on Saturday called for "an escalation of the struggle against the occupation" and said Palestinians should send a message to the Arab leaders in Baghdad so that "they live up to their responsibility" in supporting the unrest.

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Malay Police Arrest 3 For Subversive Actions

The Associated Press

KUALA LUMPUR, Malaysia — Three persons who are accused of subversive activities have been arrested under the Internal Security Act, which allows indefinite detention without trial, according to the police.

The police in the northeastern state of Sabah said that the three were arrested last week. The press in the capital of Sabah, Kota Kinabalu, identified the three as the chairman of Sabah Air, Benedict Topin; Albinus Yudah, a former policeman; and another man named only as Vincent.

Gabon Riots Are Driving Oil Industry To Its Knees

Reuters

LIBREVILLE, Gabon — Gabon said Monday that its oil industry was in a serious situation after anti-government riots led foreign oil companies to pull staff out of the country.

Information Minister Jean-Remy Pendy-Bouyiki said Gabon was daily losing about 13 billion CFA francs ($50 millions) in export revenue.

"If oil production is interrupted for more than 10 days, the whole economy will be on its knees," he told reporters.

The official daily L'Union published a government communiqué that described the situation in the oil industry as "very worrying" and called for "precise measures to restore confidence." But it did not say what those measures could be.

The unexplained death of a leading opposition politician has triggered the worst outbreak of violence in this West African state since it won independence from France in 1960.

Daily demonstrations against the rule of President Omar Bongo have rocked the economic capital Port Gentil, 130 kilometers (80 miles) southwest of the capital, Libreville, for the past five days.

The protesters accuse Mr. Bongo of responsibility for the death of the politician.

Oil companies, including Elf-Aquitaine of France and the British-Dutch conglomerate Royal Dutch/Shell, have reduced production to a technical minimum. They have also repatriated most of their staff.

On Monday, French military planes evacuated Shell staff from the giant Rabi-Kounga oil field south of Port Gentil, a French army spokesman said.

The army has so far not intervened in the demonstrations. But Gabonese soldiers reinforced by French troops have taken up positions in the city.

Gabon's oil output is estimated at around 250,000 barrels per day.

Elf Gabon, which normally produces some 115,000 bpd in Port Gentil, evacuated 550 of its 600 staff "under threats of armed protesters," the Elf chief of operations, Jean Lamarcade, told reporters on Sunday.

Oil accounts for about 80 percent of the country's export earnings. Per capita income in Gabon is the highest in black Africa at around $3,000.

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U.S. Memorial Day: To Honor War Dead, Texas Shoots the Works

By Lisa Belkin
New York Times Service

HELOTES, Texas — The sound of machine-gun fire echoed off the dusty hills hour after hour as hundreds of thousands of bullets shredded the old refrigerators, washing machines, automobiles and empty oil drums that were set up as targets.

Nearly 200 people took turns firing more than 100 different automatic weapons, from an Uzi submachine gun, to a Lahti anti-tank rifle — also useful against small airplanes — to a Vietnam-era M-16.

"Can you think of a better way to spend a holiday weekend?" said Jim James at the Third Annual Hill Country Machine Gun Shoot in Helotes, 15 miles (24 kilometers) northwest of San Antonio.

Memorial Day, honoring U.S. war dead, was observed Monday. "Soldiers died so we'd have the right to shoot all we want," Mr. James said. "It's a tribute."

The outdoor target range — an expanse behind a snack shack — was easy to find: One need only to follow the sounds of rapid gunfire.

The parking area was filled with cars whose bumper stickers proclaimed "Freedom Wasn't Won With a Registered Gun" and "The More People I Meet the More Bullets I Need."

Participants paid $5 each to enter the range, where there were signs prohibiting alcohol and shooting at trees. Another said: "Not Responsible for Accidents."

Most people brought ear protectors, which looked like bulbous stereo headphones. The unprepared could buy squishy orange earplugs for 25 cents. The noise level was intolerable without them.

The shooting area was divided by a bright yellow plastic tape, in front of which 45 registered shooters, as aficionados call themselves, had spread army blankets and set up their guns. They came from around the country, but the majority were from Texas, the state with the most machine-gun sales.

All the guns were legally registered, a status requiring a long application process and payment of more than $200. All were automatic weapons, a single pull of the trigger resulting in a spurt of gunfire. Some were machine guns and others were submachine guns, the distinction being one of size.

Standing behind the tape were vendors of commemorative T-shirts, Machine Gun News Magazine, barbecue sandwiches and iced tea. The families of shooters and other spectators drifted between the guns and the food.

Everyone, including bystanders, could shoot, as long as it was from the area in front of the tape and in the presence of a licensed gun owner. Those who did not own a gun could rent one, and get 40 rounds of ammunition, for $10.

Running the rental line was the shoot's organizer, Bill Jonke, a former police officer and firearms trainer, and now a caterer. People who dabble in shooting machine guns are not madmen, he said, "just mostly people who we down here call good ol' boys."

Guns, Mr. Jonke said, are a hobby, like building model cars. "It's something to goof around with. There's a satisfaction to putting the bullet where you want to put it. Guys who own machine guns are tinkerers. Registered owners are the straightest darn people you'll ever want to meet."

Amid the affectionate descriptions of firearms, there was anger at the limits being imposed on them.

Last year, President George Bush issued an executive order banning 43 models of imported semiautomatic weapons and last week the Senate narrowly voted to ban the sale of nine types of semiautomatic assault weapons for three years.

That these laws do not apply to automatic weapons, which have been regulated by the federal government since the 1930s, did not matter to the shooters, many of whom own semiautomatics. These laws, they said, were giving people like themselves a bad reputation.

"I don't like being lumped into the same pot as drug dealers just because I own the same kind of gun," said Jess Mills, who was accompanied by his two teenage sons. "It doesn't matter how many times a gun goes bang," said Mr. Mills, who has been hunting since he was 6. "It depends on how you use it."

From Town Hall to Congress, Incumbents Feeling the Heat

By Michael Oreskes
New York Times Service

WASHINGTON — Representative John P. Murtha is one of the most influential power brokers in Congress, but in a Democratic primary two weeks ago the voters of his Pennsylvania district nearly turned him out of office.

In Washington, Mr. Murtha, the head of a House Appropriations subcommittee on defense, is an insider's insider. But back in Johnstown, the eight-term incumbent was pounded by an underfinanced opponent and by the local newspaper, for supporting the congressional pay increase and for accepting speaking fees and contributions from political action committees. Mr. Murtha got only 51 percent of the vote.

This brush with defeat has sent a shudder through Mr. Murtha's colleagues, reinforcing their feeling that voters are in a dark mood toward politicians, from the county commission to Capitol Hill.

There is not much doubt about the public's sour attitude toward politicians. And polling results, isolated election returns and reports from town meetings are suggesting to politicians and their consultants that this mood might be influencing elections.

Representative Mike Synar, who faces a primary in August against an opponent who accuses him of losing touch with his Oklahoma district, has been studying this developing mood on behalf of Democratic colleagues in the House.

"There is a feeling out there that incumbency is not an advantage," he said.

That represents a shift for a body in which 98 percent of those who sought re-election in the last two elections won it. No one predicts a drastic change, but Charles Cook, who analyzes congressional races in a monthly newsletter, says the re-election rate in the House seems likely to fall this year.

One reason is that fewer voters, when questioned by poll takers, are making a distinction between disdain for Congress in general and respect for their own representative.

It used to be that only one voter in 10 thought his or her representative was involved in shenanigans on Capitol Hill. Now, one voter in three thinks so, said Celinda Lake, a Democratic poll taker.

Mr. Synar says a number of poll takers, Democrats and Republicans are picking up another trend on a question close to a politician's heart: Does an officeholder deserve re-election?

"They are saying the re-elect number is down 10 to 15 percent for incumbents," he said.

Nobody knows yet how this mood will affect specific elections this year. In addition to Mr. Murtha's close call, there is other evidence of an anti-incumbent mood.

In a number of elections for local offices in recent weeks, in suburban Chicago, in Indiana and outside Los Angeles, members of school boards, city councils and other government bodies have been dumped.

A primary and a few local results do not prove a trend. But there is a suggestion that voters are beginning to express their frustration with officeholders who cannot seem to curb crime or unclog traffic or hold down taxes or generally get things done.

"People have been disappointed so much," said Raymond Strother, a Democratic political consultant. "Everything they see and hear about government is some sort of failure. They're just sort of fed up."

Politicians say being an incumbent does not stir enough anger, by itself, to endanger re-election. It is a combination of factors, as in Mr. Murtha's case: hard times back home, combined with a record of supporting a congressional pay increase or accepting speaking fees while constituents cannot find jobs.

Mr. Murtha and his colleagues still have all the advantages that have made House incumbents difficult to unseat: government-paid mailing privileges, access to the news media and extensive support from political action committees. The fear on Capitol Hill is that 1990 could be a year in which these advantages are counteracted by a shifting voter psychology that makes being in office suspect.

What is particularly interesting, said Mr. Cook, the congressional analyst, is that the anti-politician feeling seems to be emerging without any great national crisis like Watergate, which brought down many Republicans in the mid-1970s, or roaring inflation, which hurt the Democrats in 1980.

A number of consultants and poll takers say the 1992 elections may be the ones to determine whether the current discontent will bring another storm of vengeance against incumbents. But the 1990 campaigns are already heavy with anti-politician themes.

"As I move around the state the one thing I hear more than anything else is 'Kick butt,'" said Lowell P. Weicker Jr. of Connecticut, a former Republican senator who is now running as an independent candidate for governor. "That's the mood."

Rights Body Faults Left in El Salvador

Reuters

SAN SALVADOR — Leftist rebels have executed several hundred people since the early 1980s after trials in revolutionary courts, the human rights organization Americas Watch says.

In some cases, the Farabundo Marti National Liberation Front assassinated opponents without trial, the New York-based group said in a report.

About 75,000 people have died in 10 years of war between the Front and Salvadoran governments.

Americas Watch rejected rebel claims that courts operating in Front-held areas met international standards of law.

"The rebels do not require any member of their ad hoc courts to have any legal training or competence," the group said. "That the authority to impose the death penalty is vested in individuals apparently unskilled in the law is appallingly indecent and utterly deprives the accused of a basic guarantee necessary for his or her defense."

It added that defense counsel in Front trials were apparently chosen by the rebels, not defendants, making "a farce of any defense the rebels assert is provided to the accused."

The rebels say the courts operate mainly against government informers and people responsible for human rights atrocities.

AP

HOMECOMING FOR A HOSTAGE — Frank Herbert Reed, a former hostage in Lebanon, got to grips with a three-pound lobster Sunday when he returned to his hometown of Malden, Massachussetts, for the Memorial Day holiday. Behind him at the party is his Lebanese-born wife, Fahima.

RELAX: *The Bush Approach to Camp David Meeting*

(Continued from Page 1)

Kennebunkport's bays at demonic speeds in his motor boat.

He loves sports and martinis and getting away for "boy's weekends" of golf and fishing. He feels at his best in one-to-one settings, where he can turn on the charm.

The ultimate challenge, and the leader most resistant to Mr. Bush's folksy, feet-up style, is Mr. Gorbachev.

The Soviet president is more cerebral, with a taste for classical literature, philosophy and art. Mr. Gorbachev has a diabetic condition, and he takes only a glass of wine on holidays. He also almost never leaves home without his wife.

His tastes are in striking contrast to those of past Soviet leaders.

In June 1973, Leonid I. Brezhnev insisted on staying at President Richard Nixon's home in San Clemente, California, to show off their personal relationship. One chronicler wrote that Mr. Brezhnev's eyes filled with tears twice because he was so moved by Mr. Nixon's hospitality, including a ride in the president's golf cart and a poolside party with Hollywood stars and vodka toasts.

Mr. Gorbachev may want to be toasted by America, but he does not want to send images of frivolity back to a country in crisis.

"I think Gorbachev would be appalled at the notion of going out on Bush's boat," an administration official said. "Does he look like the type of guy who would wear a sweatshirt and sneakers and have his hair blowing 50 miles per hour as they pounded across the waves?"

Some in and outside the administration worry that Mr. Bush's tendency to personalize his relationships with leaders can backfire.

"It's very easy to get caught up in personal relationships and fail thereby to analyze the situation accurately," said Mr. Perle, who added that Americans tended to "cater to Gorbachev like an anxious bride."

Summit meetings have shown that chemistry may be destiny. After his Vienna meeting in June 1961 with John F. Kennedy, Nikita S. Khrushchev concluded that the American leader would not stand up to a challenge, a view that some Soviet and U.S. historians think led Mr. Khrushchev to place Soviet missiles in Cuba. By contrast, Mr. Brezhnev found Mr. Nixon strong and felt he could work with him.

In meetings with Mr. Reagan, Mr. Gorbachev often spoke sharply and slapped the edge of the table as Mr. Reagan listened quietly, preferring the overall symbolism of the summit meetings to the individual moves in the chess game.

"Reagan kept calling Gorbachev 'Mikhail,' figuring that he would call him 'Ron' back, but it never worked," a former Reagan aide said.

Mr. Gorbachev also calls Mr. Bush "Mr. President." And even though Mr. Bush loves to be on a first-name basis with world leaders, he calls Mr. Gorbachev "Mr. President" in return.

At their first exchange at the Malta meeting last December, Bush advisers recall, Mr. Bush was a little anxious about how Mr. Gorbachev would act. They said Mr. Bush made an extended presentation at the first meeting in Malta, outlining a 17-point plan to help the Soviet Union, in part, to show his mettle.

But by their second Malta session the skittishness had dissipated a bit and they found some common ground.

"They're both practical and energetic," said Brent Scowcroft, Mr. Bush's national security adviser. "They both want to do things and get at things."

Mr. Bush's aides said that in Malta the president saw his Soviet counterpart as a direct man who liked to speak his mind and that the American president appreciated the Soviet leader's frankness.

Soviet officials said that Mr. Gorbachev liked the fact that Mr. Bush was in command of his facts and that the two could roam through various issues without opening their briefing books.

The Soviet president reportedly also found Mr. Bush discreet, and he began to feel that his words would not be distorted for political purposes.

"They have begun to develop the kind of relationship that allows them to discuss the most delicate problems," said Alexander A. Bessmertnykh, the new Soviet ambassador in Washington.

The Americans in Malta noted with relief that Mr. Gorbachev could chuckle and tease on occasion, a verbal sparring that Mr. Bush enjoys as well.

When he ran into his spokesman, Gennadi I. Gerasimov, chatting with Mr. Bush's spokesman, Marlin Fitzwater, on the cruise liner Maxim Gorky, Mr. Gorbachev observed: "I see we have two spokesman together. What I'd do with spokesmen is put you in a bag and dump you over the side of the ship."

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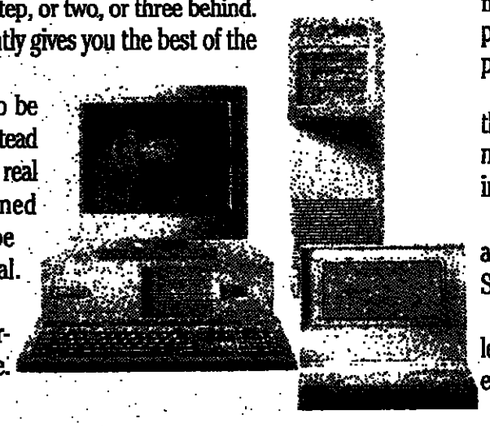

COMPAQ

Herald Tribune INTERNATIONAL
Published With The New York Times and The Washington Post

OPINION

One Canada or Two?

Canada has now taken a step closer to the tremendous decision to split itself into two countries. A cabinet minister and key ally of Prime Minister Brian Mulroney has resigned, increasing the probability that the constitutional compromise will fail. That in turn would make it more likely that the province of Quebec will secede from Canada. It is time to think carefully about American interests in this possibility of fragmentation of a country that is a neighbor, an ally and the United States' largest trading partner.

The dominant one, overshadowing all the others, is the American interest in neighbors that are prosperous, stable and at peace with themselves. The long-standing tension between Quebec, which largely speaks French, and the rest of Canada, which generally speaks English, is getting more corrosive. The question is whether secession would reduce that friction or make it worse.

In the United States, the tradition runs strongly in favor of national unity. The deadliest of all American wars was fought over precisely that issue. If Canada were to break up, the United States would run the risk of constantly being caught in disputes among the fragments. Americans would have to worry about the economic damage resulting from the uncertainties that a secession would inevitably generate. But those are not unmanageable concerns, and any American attempt to influence the choice one way or the other would do more harm than good.

Americans seem, in general, to be less distressed by the prospect of Quebec's secession than they were in the early 1970s, when it first became a serious possibility. Perhaps the explanation is that the Quebec independence movement is currently in the hands of economic conservatives and businessmen who are well known in the United States. Separatism today has little of its leftish shrillness of the 1970s. The one outbreak of terrorism in those early years was quickly extinguished and has never been repeated. No one really doubts that, whether it is under one government or two, Canada will continue to be a serene and wholly civilized place in which to live and work.

Secession would affect many kinds of interests, but the crucial values here are deeply subjective: how the people of Quebec want to live, and how they feel about the rest of Canada. Quebec has not yet come to the point at which secession is clearly preferable to the continuation of an intractable, obsessive, destructive hostility within the present federal union. But that is the direction in which Canadian politics is moving. If it comes to that, the dominant American interest will be in an amicable and enduring resolution, as Canadians work it out, rather than in any specific formula for unity or separation.

— THE WASHINGTON POST.

Victims of the Cold War

The last half of the century has been clouded by the Cold War, a war of deadly sparks if not of conflagration. Even the most pessimistic observers see evidence that the Cold War is ending. But no one expects it to end on a date certain with whistles and fireworks and sailors kissing girls they don't know in cheering crowds in Times Square. Nor are the two superpowers and the many nations long entangled in their rivalry ready to set aside a day to remember the disappointments and tragedies of the victims of 45 relentless years of suspicion, hostility and outright aggression. Yet why not?

Does the world overlook victims of the Cold War because the combatants never finally faced each other across a battlefield? True, the ultimate catastrophe was avoided, but proxy wars — in Korea, Vietnam, Afghanistan and Central America — exacted a fearful toll in human life and human rights.

To the individual horrors may be added these: the subversion of democracy in nations that had established it; the closing of frontiers to voluntary travel or migration; the dedication of science and technology to the encouragement of assured human destruction; the appalling waste of resources caused by keeping millions of men under arms and out of productive activities.

Literally all the people of the world bear the cost of the Cold War to some degree. Memorial Day — which Americans celebrated this Monday — was originally set aside to celebrate the valor of the soldiers of the Confederacy. It was later broadened to mourn and honor all who fought in the Civil War. Later, Memorial Day's significance was broadened again to remember all Americans killed in all the nation's wars. Would not a further expansion of united regret help set the stage for the tremendous work of reconstruction yet to come?

— THE NEW YORK TIMES.

Cleaner Air, Almost

For years, Americans demanded cleaner air and Washington did nothing. Now that the House has joined the Senate in passing legislation, a major overhaul of the air pollution laws, little more than a distant dream a year ago, seems well within reach. The struggle is not over; important differences between the House and Senate must still be resolved. The White House is rightly unhappy with a dubious and potentially costly provision to compensate workers who lose their jobs because of the legislation. Yet the recent history of the two bills is heartening. At each step of the way, old and bitter congressional adversaries showed a willingness to compose differences. That same spirit can bring a compromise measure home.

Last summer, in the first big down payment on his pledge to be America's "environment president," George Bush proposed to tackle three problems: acid rain, airborne toxic chemicals produced by industry, and urban smog. The House and Senate approaches on acid rain are nearly identical to Mr. Bush's. They would cut harmful sulfur dioxide emissions by 10 million tons by 2001 and cap emissions thereafter. And they contain an innovative pollution-trading system that would allow clean utilities to sell "credits" to dirty ones. On toxic gases, the bills actually strengthen the president's original plan to require industry to slash the emissions of 191 chemicals over 10 years.

The question of how to deal with urban pollution has proved most difficult of all. Nearly half America's smog is caused by automobiles and trucks. When Mr. Bush proposed to cut these emissions through a combination of expensive pollution controls and alternative fuels, the oil and automobile industries cranked up a huge lobbying effort. The campaign flopped. The Senate and House made Mr. Bush's proposals on tail pipe emissions even tougher. They established new fuel standards that would compel the oil companies to produce cleaner-burning gasolines. And they would require automakers to produce a modest number of cars capable of running on super-clean nongasoline fuels like compressed natural gas.

Mr. Bush originally asked for one million such cars annually by 1997. When industry protested that there might not be a market — especially if alternative fuels were not widely available — the White House dropped the idea. The House revived it in two ways: a pilot program under which 300,000 alternate-fuel cars would be sold in Southern California by 1997, and a program for centrally fueled fleet vehicles like mail trucks. That is narrower than the original million-car mandate, but still a stunning innovation.

The strength of Mr. Bush's original proposal and the two bills is that they challenge industry to develop new technologies. But there is a more immediate challenge: getting a bill to the president's desk this summer.

— THE NEW YORK TIMES.

Other Comment

Put the State to Useful Work

What is striking is how radically Margaret Thatcher's rule has altered Britain's ideological climate. In the wake of electoral defeats in 1979, 1983 and 1987, the Labor Party has drifted steadily to the right. Its history aside, the only things that now distinguish Labor's proposed policies from those of the Conservatives are a residual commitment to social democratic egalitarianism and a growing fascination with the Japanese model of industrial policy.

After having been for so long an importer of governmental ideas and values, Japan has emerged, at least in the area of public policy, as a model for discussion elsewhere. The interest extends even to the United States. Like Britain's Labor Party, America's Democrats are searching for an alternative to laissez-faire capitalism that works.

Most of us in Japan have a pragmatic respect for the past successes of government intervention. When its relevance is criticized, it is on practical grounds. Government intervention played a huge role following the end of the Pacific War; today, less so. But the legitimacy of state action is rarely made an issue in Japan.

In contrast, English-speaking countries seem to undergo terrible wrangles about what would be considered abstractions here. In a way that is often puzzling to Japan, societies in those countries seem less able to allow the state to play an active role in achieving national goals.

Experience suggests that, while the task may not be easy, if the English-speaking countries are to prosper in the 1990s they must find ways to put the state to work for their societies.

— The Japan Times (Tokyo).

Revive the ASEAN Proposal

The United States and the Philippines [have] held talks on the future of the U.S. bases. While they ended with an agreement to talk again, the talks highlighted deep differences. The dispute [invites] a revival of interest in the long-dormant ASEAN proposal for the region to be a Zone of Peace, Freedom and Neutrality. The proposal encompasses not only the six ASEAN states but those in Indochina as well. Now that the superpowers are leaning in favor of defense spending cuts, a fresh initiative from ASEAN to push for international acceptance of the proposal will be timely.

— Business Times (Kuala Lumpur).

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France. Tel.: (1) 46.37.93.00. Telex: Advertising, 613595; Circulation, 612832; Editorial, 612718; Production, 630698.

Directeur de la publication: Richard D. Simmons

Editor for Asia: Michael Richardson, 5 Canterbury Rd., Singapore 0511. Tel.472-7768. Tlx RS56928 Mng. Dir. Asia, Rolf D. Kranepuhl, 50 Gloucester Rd., Hong Kong. Tel. 8610616. Telex: 61170 United Kingdom, Herald Tribune House, 63 Long Acre, London WC2. Tel. 836-4802. Telex: 262009 Gen. Mgr. W. Germany: W. Lauterbach, Friedrichstr. 15, 6000 Frankfurt/M. Tel. (069) 726755. Tlx 416721 Pres. U.S.: Michael Conroy, 850 Third Ave., New York, N.Y. 10022. Tel. (212) 752-3890. Telex: 427175 S.A. au capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337

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Despite All the Pain and Fury, Think of the Future

By Amos Oz

This is excerpted from remarks delivered Saturday night at a Peace Now rally in Tel Aviv. Amos Oz is an Israeli novelist whose latest book is a nonfiction work, "The Slopes of Lebanon."

LET US state loud and clear: The massacre of seven Arab workers in Rishon last Sunday [May 20] was not committed by the people of Israel. Moreover, it is utterly wrong to put the blame or the responsibility for it on our caretaker government, this miserable failure of a government. One should reject unequivocally the wicked, demagogical attempt to blame the whole of Israel or the disastrous government or even the Israeli hawks for the act of the mad-dog murderer from Rishon. This attempt is nothing but a dangerous, destructive incitement.

The government and the right wing bear the historical responsibility for the prolongation of the cycle of violence and for the postponement of a peace process, a process that can be started now under fair, reasonable and promising terms. But they are not responsible for this particular crime.

We have assembled here tonight, first and foremost, to express our deep feelings of sadness, horror and anger, and our condolences to the bereaved families as well as our wishes for a speedy recovery to the injured. I believe that the entire people of Israel, Jews and Arabs, doves and hawks, are united in these feelings. Except, perhaps, the lunatic fringes on both sides — those lunatic fringes for whom each drop of blood is useful fuel for the fire of hatred and fanaticism.

We have also assembled here tonight to call upon each and every individual in this country: No vengeance; not an "eye for an eye." Haven't we all learned the hard way that hatred begets hatred, madness begets madness, massacre begets massacre? Those who now scream "death to the Jews" are no better than those who scream "death to the Arabs." Each Arab racist is a twin brother to every Jewish racist.

The flag you have been trying in vain to trample underfoot and the flag we have been trying to pull down from every rooftop in the West Bank and in Gaza — both will soon wave side by side in the same breeze.

But above all, we have gathered here tonight to vow that we shall not rest, we shall not be silent, and we shall not give in until Israel switches onto the road that has been opened before us at long last, after 70 years of siege: the road of negotiation, of compromise and of peace.

The tragic status quo between ourselves and the Palestinians, as it existed from 1967 to 1988, was shattered by the PLO's implied recognition of Israel. Everybody knows this; even those who stubbornly refuse to know it still know it in their heart of hearts. From this shattered status quo we may not retreat back to the Arab effort to exterminate Israel, to the Israeli oppression of the Palestinians. All of us must attempt to break through toward the one and only solution to the cycle of violence between ourselves and the Palestinians: Recognition for recognition, sovereignty for sovereignty, security for security, good neighborliness for good neighborliness.

From this place, we call tonight upon the Arab citizens of Israel and, indeed, upon the future citizens of the independent state of Palestine: Despite all the pain and the fury in your hearts, think — for God's sake — of the future, not of the past, of the sacredness of life, not of death rites. Yes: Restraint.

For dozens of years now, we have been calling upon our own people to exercise restraint, to put the vision of the future above the horrors of the past. We did so after each and every massacre of Jews by Arabs, from Hebron in 1929 to Munich in 1972 to Ras-Burka in 1987. Even amidst the emotional fires which fanatics on both sides are now attempting to fan, we are obliged — all of us, Jews and Arabs — to remember well: The day will come, and not in the distant future, when both our peoples shall live as equal nations, proud and free, side by side in this beloved homeland. The flag you have been trying in vain to trample underfoot and the flag we have been trying to pull down from every rooftop in the West Bank and in Gaza — both will soon wave side by side in the same breeze.

But it's not for me to conduct, here and now, Arab soul-searching. Let me say tonight a few words of Jewish soul-searching.

First and foremost: There is no meaning, no validity, no root in our own sources to the term "Jewish blood." Nowhere in the entire written Jewish heritage can we find even a single reference to this terrible expression. There is no "Jewish blood," and there is no "Arab blood." There is only "innocent blood," "the blood of innocents." And there is: "The voice of thy brother's blood crieth unto me from the ground." And indeed, there is also: "Your hands are full of blood."

And only then will the twin monsters, fanaticism and indifference, be driven away from the gates of our town.

Two weeks ago, Rabbi Moshe Zvi Neriah uttered the following horrendous words, and I quote: "This is not the time to think, but the time to shoot left and right."

I hope and believe that Rabbi Neriah had not anticipated in this monstrous expression the mad massacre in Rishon, which occurred a few days later. Nevertheless, under no circumstances, in no context whatsoever, can there be any excuse or justification for such a savage expression. Not even during the worst battles, not even during Israel's most bitter wars, had anyone ever dared to preach that thinking ought to cease and be replaced by indiscriminate shooting "left and right."

Never, in any situation, should any human being cease to think. Perhaps it wouldn't be a bad idea for that particular rabbi to start thinking, for a change; to ask if, out of their passion to expand the boundaries of the country, he and his ilk have not long ago broken all moral boundaries. Perhaps Rabbi Neriah and his ilk may have to hasten now to their synagogues to beg pardon and forgiveness.

The painful shame that makes us lower our eyes today is not for the one villain who emptied his stolen weapons and butchered innocent people in a spot which even decent people have accustomed themselves to call, without choking, "the slave market of Rishon." No. The shame is for the widespread indifference which is gnawing at us and debilitating us and eating away at our humanity. The shame is for the leniency of punishment given by our courts of justice to murderers. The shame is for the reckless pardons that are sometimes granted here to murderers. The shame is for some abominable expressions which forfeit the blood of anyone who stands in someone's way or just happens to be crossing someone's path. The shame is for the fact that in the state of Israel, the homeland of an oppressed and humiliated people, the murderer could simply "arrest" human beings to his heart's content, and line them up to his heart's content, and collect their identity cards to his heart's content, and no stone hath cried out of the wall. All this even before he butchered them to his heart's content.

The poet Natan Alterman writes in "The Plagues of Egypt": "My son, my firstborn son, the water hath turned blood — for blood was spilled in town, and the town did not tremble." For this have kingdoms collapsed, for this have nations disintegrated: For blood was spilled in the town, and the town did not tremble.

I repeat: Neither the people of Israel nor its nasty government, nor even the hawks are guilty of the spilling of the innocent blood last Sunday morning. It could have happened just as well under a good, peace-seeking government. But all of us — indeed, some more than others — are part of the fact that "blood was spilled in town, and the town did not tremble."

It is now the duty of us all to broaden, deepen and intensify the struggle for peace, until the government of Israel finally resolves to accept, at long last, its own peace initiative and gets down right away to the business of negotiating peace with any enemy who is willing to negotiate peace with us.

Moreover, it is our duty to change more and more hearts. If each of the demonstrators gathered here succeeds in winning over just one single member of the peace-fearing camp in Israel and having him or her join the ranks of those who have the courage to move toward a fair compromise with the Arabs, this will be sufficient to open the gates of peace.

And only then will the twin monsters, fanaticism and indifference, be driven away from the gates of our town. And the dawn of a new day could at long last shine on all of us.

The Washington Post.

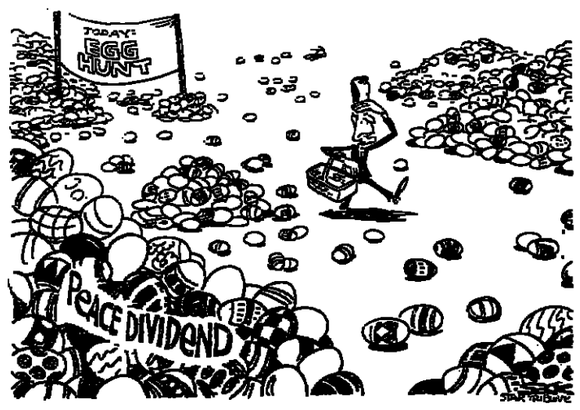
Don't Expect a Peace Dividend From the Military Keynesians

By Bernard D. Nossiter

NEW YORK — Practical considerations have now persuaded the Bush administration against any drastic cuts in military spending. Instead, the White House says it seeks a modest slice, 10 percent over five years or roughly 2 percent a year. In the strange world of Pentagon economics, this means that the president really hopes to win small spending increases, $15 to $45 billion at the end of the period, depending on which inflation rate the military assigns to its procurement.

The trick lies in pretending that the Pentagon buys carriers, missiles, planes, tanks and other commodities in a competitive market, that the generals no more control their prices than the local soap factory or the neighborhood bootblack.

So, for example, the Pentagon sometimes asserts that it confronts an inflation of 5 percent. Simply to stay even with rising prices, to buy the same number of nuclear bombs, the military budget must increase by about 25 percent in five years. A proclaimed cut of 2 percent a year from this artificial level leaves the Pentagon richer by about 15 percent, or $45 billion.



In fact, the Pentagon is a sole buyer, a monopsonist, dealing with one or a few friendly contractors, monopolists or oligopolists. Not even the newest economics argues that monopsony on one side of the market and duopoly on the other creates actors helpless to control price and output, like classical competitors. The Pentagon writes its own arbitrary inflation into contracts as a bonus. This means that the military still has not come clean about its real intention to press for ever expanding purchases from contractors regardless of the state of world politics.

That the Bush administration plays the game is hardly surprising. It has a healthy respect for the recession-curing powers of government spending generally and arms outlays in particular. Nearly every postwar president since Harry Truman has fought recession, at least in part, with an increase or speedup in arms spending. It can be ordered rapidly, provokes no political opposition and tends to work.

Thus Dwight Eisenhower, despite his farewell warning against the military-industrial complex, twice used arms as a countercyclical device, in 1954 and 1958. He even released a small amount of impounded military funds in August 1960 in his third slump — but it was too late to help elect Richard Nixon, as Mr. Nixon complained in "Six Crises." John Kennedy then ended Ike's last slump with nearly $6 billion in space and arms spending advertised as a counter to a potential Russian challenge.

The great military Keynesian, of course, was Ronald Reagan. He enlarged Pentagon purchases of goods and services by $70 billion in three years to end the deepest slump since the Great Depression.

Given this history, George Bush is understandably reluctant to depress the economy with genuine military cuts or abandon a tool so useful to his predecessors.

To be sure, a slump, a fall in demand, can be offset by expanded outlays for health, housing, schools and more. But these are politically entangled, arousing philosophical and business opposition. Nobody who matters opposes arms outlays.

The end of communism in Eastern Europe no doubt poses some problems. The Pentagon likes to promote its billion-dollar bombers, its fighting vehicles and other devices as the response to some threat. But the link between military spending and defense needs was largely shattered after the Korean War. Within the Pentagon today, weapons are frequently first designed with aerospace colleagues, and then a threat scenario is written for their requirement. Today's projects tend to reflect the bureaucratic imperatives of ranking career officers, their partners and future employers in aerospace and, above all, congeries of local interests, congressional, business and union.

That is why it is unlikely that budgets at the Pentagon, an important tool of economic management, will suffer much shrinkage in the years ahead. There is even less chance of trimming them until the facts of the postwar experience are discussed more openly.

The writer is author of the forthcoming book "'Fat Years and Lean: The American Economy Since Roosevelt." He contributed this comment to the International Herald Tribune.

From Old NATO to a New North Atlantic Security Structure

By Stanley Hoffmann

CAMBRIDGE, Massachusetts — Many American officials and strategic analysts seem to be making the preservation of NATO the principal objective of American policy in Europe. This goal makes sense in the short run. NATO is still the only organization that gives the United States a preponderant role in Europe, and it remains critical to preserving stability and balance there. But for the longer run, we need new institutions, and we had better begin thinking about them now.

And for both the long and short run, the West has to pay careful attention to the Soviet Union's humiliation arising from its loss of the Cold War.

This blow could be softened if the Western allies made it clear that today's NATO, an integrated military alliance dominated by the United States, is entering its final phase and will need to be transformed when the period of European transition is over.

American policymakers' devotion to NATO is understandable. NATO not only helped to safeguard peace in Europe through the worst years of the Cold War, it also successfully managed the initially traumatic issue of West German rearmament.

NATO forces are also still needed to counterbalance Soviet forces. For reasons of policy, prestige and practicality, Soviet troops will not be removed entirely from what is still East Germany for some time. Some Soviet forces may remain in Poland as long as Poland is not fully reassured that Germany intends to abandon its claims on Polish areas that were once German.

Moreover, NATO as well as what is left of the Warsaw Pact will play a useful role in negotiating reductions of conventional forces and tactical nuclear weapons in Europe.

Above all, NATO is still needed as a home for Germany. Nobody has an interest in a neutralized and united Germany, unattached and tempted again to be a freewheeling major player or subject to fits of insecurity because of real or imagined threats from the East or West.

Why do the Soviets still talk about a neutralized Germany? Because a united Germany in NATO — even a Germany which guarantees that NATO forces will not move into the former East Germany — would be psychologically painful: It would symbolize the Soviet Union's loss of the political empire and East European security buffer zone won in the war.

But Moscow has not pushed hard for a neutralized Germany because this goal has no support in Eastern Europe. The Soviet Union is not really convinced that a freewheeling Germany is in its long-term interest. Nor does Moscow have cards strong enough to insist on neutralization.

Neither are the Germans enticed by the idea of neutrality, because they do not want to risk repeating their history. And Moscow's threat to keep Soviet forces in East Germany until the Germans and their Western partners agree on a formula to remove Germany from NATO could boomerang. These forces would find themselves amid a hostile population, far from their homeland and isolated if Germany induced Poland to request the departure of Soviet troops from Polish soil.

In effect, the Soviets have already acknowledged the inevitability of German unity; it is remarkable that they have not tried to use their acceptance of unification to gain Bonn's agreement to certain security arrangements. At the least, they can try to obtain a reward for having made unification possible.

Such arrangements would include limits on weapons and forces that Germany and its NATO allies would have no reason to refuse; perhaps an agreement on the removal of U.S. nuclear weapons from Germany, and an economic deal for German contributions to the failing Soviet economy.

Beyond these immediate issues, the need is for long-range thinking.

Against what enemy would today's NATO need to be preserved? None of the main hypotheses about the Soviet Union's future — a victory of perestroika, disintegration and civil strife, an authoritarian and repressive reaction against disorder and separatism — entails the likelihood of a Soviet military threat against Europe for many years, if at all.

How long, in these circumstances, would Germany want to remain a subordinate member of a U.S.-dominated alliance and to be the last occupied country in Europe? Not long. This would be especially true if U.S. forces remained in the western parts of Germany well after the Soviet troops left the eastern parts.

Can NATO's present structure be maintained once U.S. conventional and tactical nuclear forces are reduced? West Germany's army, NATO's largest, has been under direct U.S. command. How acceptable will this arrangement be to the Germans and other Europeans once the U.S. military presence has shrunk?

In the long run, a restructured European security order will have to be able to deter any Soviet threat — a concern likely to be especially intense among the now liberated Central and East European countries. It must reassure all of Europe against the possible resurgence of German aggressiveness or militarism.

It must also provide an environment in which an economically and financially very powerful Germany will feel sufficiently secure to continue seeking influence and prestige through wealth — and the political benefits wealth brings — rather than through military might.

Finally, it must set up adequate procedures for peacefully resolving interstate and secessionist conflicts that traditional rivalries and ethnic tensions, especially in Central and Eastern Europe, might well provoke. It should also be prepared to contain and quickly end violence should attempts at peaceful settlement fail.

Given this multiplicity of aims, a diversity of institutions is the only sensible answer. Instead of the present NATO, we would need a system based on the North Atlantic treaty of 1949, which did not set up any integrated military structure but provided a U.S. security guarantee to Western Europe.

The Council of Foreign Ministers of the signatories would be the foreign policy coordinating body. And as long as some U.S. forces remained in Europe, organs for joint military planning and cooperation should persist.

The European Community ought gradually to take over the dominant security role in the alliance and set up a new West European defense organization. It is the Community that is destined to ensure that the ties between Germany and its partners are so numerous and strong that they cannot be severed. These ties would provide Germany with more influence than it would have if fully sovereign.

The new West European defense organization ought to have the task of cooperating with the countries of Central and Eastern Europe to provide protection and deter or cope with any renewed Soviet threat.

Finally, the Conference on Security and Cooperation in Europe could provide the broadest security framework. It would limit the forces of all its members in such a way that Germany would not be singled out as the only country with special restrictions.

The conference could ensure the participation of the United States and the Soviet Union in European security without providing them any possibility for renewed hegemony, and could serve as the framework for procedures for settling European disputes.

In this intricate arrangement, separate alliances might well persist — for example, West European countries and the United States; the Soviet Union and Poland. But there would be sufficient security, strong enough economic and political links in the European Community and close enough links between the Community and other European states to divert Germany from nuclear ambitions. Such ambitions could only recreate the nightmare of anti-German coalitions that past German clumsiness and expansionism fostered.

Obviously, the superpowers' grip on Europe would be enormously loosened. But it is too late to try to preserve a crumbled bipolarity or revive a Warsaw Pact whose main function was the management of a Soviet hegemony in Eastern Europe. Moreover, it is insulting to suggest that the Europeans, left to themselves, would make the same mess as before the two world wars. As the main victims of their errors, they, too, have learned a lot.

The writer is chairman of the Center for European Studies at Harvard University. He contributed this comment to The New York Times.

100, 75 AND 50 YEARS AGO

1890: Channel Brunnel

PARIS — *The Herald says in an editorial:* How to devise a bridge that shall not be a bridge, or a tunnel that shall not be a tunnel, and thus connect France and England in a disconnected way, is a problem that various ingenious engineers are trying to solve. The latest plan involves the construction of two piers, one starting from the French and the other from the English coast, but failing to meet by a space of 500 yards. A perpendicular shaft at the end of each pier will reach to a tunnel under the water connecting the two shafts, and railway trains, after arriving at the end of one pier, will be lowered into the tunnel and raised again to the other pier. All this is to be done in order to save the necessity of crossing the Channel in a boat, on a bridge or through a tunnel.

1915: Gallipoli Successes

LONDON — Extremely favorable reports continue to be received concerning operations in the Gallipoli Peninsula. According to latest telegrams, the Allies have advanced six miles in the region of Sedul Bahr and hold the fortified line between Krithia and Achi Baba. Five lines of trenches were captured during bayonet charges.

1940: Leopold Yields

PARIS — King Leopold III of the Belgians yesterday [May 28] capitulated. Premier Hubert Pierlot branded the act illegal under Belgium's 100-year-old Constitution and announced his country men will serve with the Allies. The Belgian government in Paris is prepared to fulfill formalities removing Leopold from the throne. He had treated with the Germans without obtaining the counter-signature of at least one Minister as the Constitution stipulated. Premier Paul Reynaud called the King's surrender an act "unprecedented in history." It meant the collapse of the northern flank on the Lys River from Menin, above Lille, to Ghent and Zeebrugge.

OPINION

Now a Stinging Crusader, Now a Demurring Ostrich

By William Safire

WASHINGTON — This is the story of a double standard in the great government power called "prosecutorial discretion."

Richard Thornburgh, attorney general of the United States, former governor of Pennsylvania, was faced with a decision a few months ago: Should he permit the U.S. attorney in Washington to use sex as a lure in setting a trap to catch Mayor Marion Barry using cocaine?

Never had the federal government stooped so low to make a case. But the mayor was widely suspected to be a user; the government had *millions of* dollars and thousands of hours invested in an investigation that would not otherwise result in a conviction; a seduction on videotape would help make valid all the other evidence.

He gave the approval of the nation's highest law enforcement official to the sleaziest entrapment yet perpetrated on a suspect.

Richard Thornburgh gave the approval of the nation's highest law enforcement official to the sleaziest entrapment yet perpetrated on a suspect. The end, he decided, justified the unprecedented means.

An attractive former girlfriend of the mayor, herself in trouble with the law, was transported from California to entice the suspect to her hotel room; she taunted and dared him to use crack cocaine; when he did, Mr. Thornburgh's men banged on the door and nailed him for a misdemeanor.

Contrast this prosecutorial discretion with another decision in a cocaine case involving a public official made by the same attorney general. Henry Barr was one of Richard Thornburgh's closest aides for two decades in public office. In Pittsburgh, he was a top assistant to U.S. Attorney Thornburgh; in Harrisburg, he served as general counsel to Governor Thornburgh; in Washington, he was appointed special assistant to Attorney General Thornburgh.

As reported by Neil Lewis of The New York Times, on May 10, 1989, a close friend and law enforcement associate of Mr. Barr's was notified by a Harrisburg grand jury that he was the target of its investigation into county-wide drug distribution.

Two days later, perhaps by coincidence, Henry Barr (not to be confused with William Barr, the new deputy attorney general) resigned as Mr. Thornburgh's special assistant.

In January of this year, the target of the grand jury reportedly implicated Mr. Barr, alleging frequent cocaine use by the attorney general's man.

When this hit the newspapers in Harrisburg, the attorney general was faced with a decision about how to deal with *even the slightest suspicion* of drug use in his office in three cities over a couple of decades.

Should he order the FBI to go after Mr. Barr — a longtime public servant with an unblemished record — with the full menu of surveillance, harassment and if necessary, a sting operation to test his aide's law-abiding nature?

Or should he merely begin the preliminary investigation that, if it turned up evidence of cocaine use by his right-hand man, could then be turned over to a special prosecutor, as the law provides if there is any "personal, financial or political conflict for the attorney general."

Mr. Thornburgh decided instead to stick his head in the sand. He recused himself — that is, said he wanted nothing to do with the matter — as did three other top aides in the clique of Pennsylvania Thornburgh cronies running the Justice Department.

That passed the buck to the chief of the Criminal Division, Ed Dennis, also a former Pennsylvania lawman. According to The Times's shoe leather reporter, lawyers for Mr. Barr have been meeting with Criminal Division officials over the head of prosecutors in Harrisburg.

What kind of justice is this? I do not suggest that the attorney general should have set up a sex trap to lure his longtime aide into committing a crime on videotape; I do suggest that he is guilty of the most egregious double standard in prosecutorial discretion.

Obviously a special prosecutor is now needed not only to take over the Barr matter but to examine how much the "Pennsylvania mafia" at Justice knew and when it knew it.

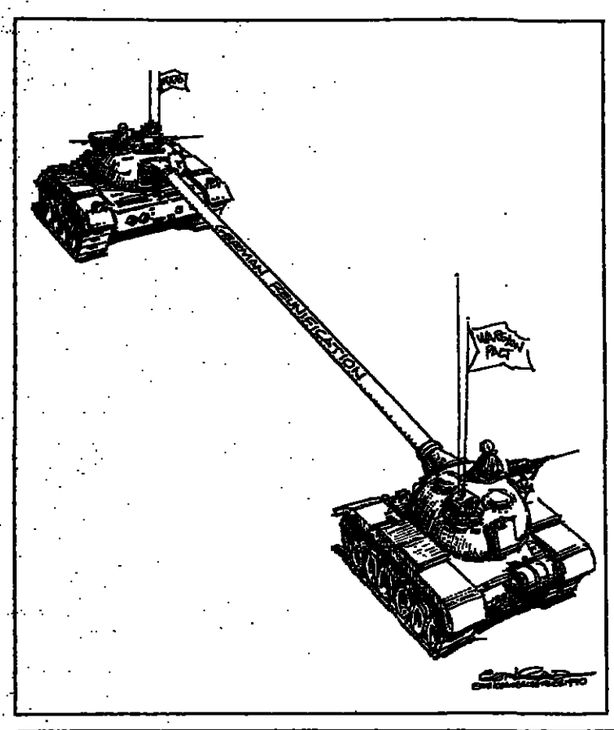
Did nobody know why Mr. Barr resigned when he did? Was the conveniently craven four-person act of recusal — as substitute for the obligation to launch a preliminary investigation — misfeasance, malfeasance, or dereliction of duty?

If the attorney general chooses to be a zealot in the Barry cocaine case, he cannot choose to be an ostrich in the cocaine case that may involve his right-hand man.

Here's a prediction: The mayor of Washington will be in office longer than the attorney general who approved the trap to bring him down.

The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



Something Awful Is About to Happen

By Dave Barry

MIAMI — Recently I've been reading horror novels at bedtime. I'm talking about those paperbacks with names like "The Brainsucker," full of scenes like this: "As Marge stepped through the doorway into the darkening mansion, she felt a sense of foreboding, caused, perhaps, by the moaning of the wind, or the creaking of the door, or possibly the Kentucky Fried Chicken bucket full of eyeballs."

Of course, if Marge had the intelligence of paint she would stop right there. "Wait a minute," she'd say. "I'm getting the hell out of this novel." Then she would leap off the page, sprint across my bedspread and run into my son's bedroom to become a character in a safe book like "Horton Hears a Who."

But Marge, in hallowed horror-novel-character tradition, barges straight ahead, down gloomy corridors where she has to cut through the foreboding with a machete, despite the obvious fact that something hideous is about to happen, probably involving the forced evacuation of her skull cavity by a demonic being with the underworld Roto-Rooter franchise. So I'm flinching as I turn each page, thinking "What a moron this woman is!" And Marge is thinking: "Well, I may be a moron, but at least I'm not stupid enough to be READING this."

And of course Marge is right. I should know better than to read horror books, or watch horror movies, because — this is not easy for a 42-year-old male to admit — I BELIEVE THEM. I have always believed them. When I was a child, I was routinely terrified by horror movies, even the comically inept ones in which, when Lon Chaney turned into a werewolf, you could actually see the makeup person's hand darting into the picture to attach more fake fur to his face.

When I was 17 — this is a true anecdote — I had to explain to my father one

MEANWHILE

Sunday morning that the reason our car was missing was that the night before I had taken my date to see "Psycho," and afterward I had explained to her that it made more sense for HER to drive ME home, because of the strong possibility that otherwise I would be stabbed to death by Anthony Perkins.

I'm still this way, even though I'm a grown-up parent, constantly reassuring my son about his irrational fears, telling him don't be silly, there aren't any vampires in the guest bathroom. Part of my brain — the rational part, the part that took the SAT tests — actually believes this; but a much more powerful part, the Fear Lobe, takes the possibility of bathroom vampires far more seriously than it takes, for example, the U.S. trade deficit.

And so, late at night, when I finish my horror novel and take the dogs out into the yard, which is very dark, I am highly alert. My brain's SAT Sector, trying to be cool, is saying, "Ha ha! This is merely your yard!" But the Fear Lobe is saying: "Oh, yes, this is exactly the kind of place that would attract the Brainsucker. For the Brainsucker, this is Walt Disney World." And so I start sauntering back toward the house, trying to look as casual as possible, considering that every few feet I suddenly whirl around to see if anything's behind me. Soon I am sauntering at upwards of 35 miles per hour, and the Fear Lobe is screaming "IT'S COMING!" and even the SAT Sector has soaked its mental armpits and now I'm openly sprinting through the darkness, almost to the house, and WHAT'S THAT NOISE BEHIND ME OH NO PLEASE AAAIIIEEEE WHUMP — I am struck violently in the back by Earnest, our Toyota-size main dog, who has located a cache of valuable dog poo and shrewdly elected to roll in it, and is now generously attempting to share the experience with me.

Thus the spell of horror is broken, and my SAT Sector reasserts control and has a good laugh at what a silly goose I was, and I walk calmly back inside and close the door, just seconds before the tentacle reaches it.

Knight-Ridder Newspapers.

LETTERS TO THE EDITOR

The Kashmir Issue: Old Understandings, New Dangers

Your two correspondents Iftikhar Hussein Kazami and Harish Chandra Shukul *(Letters, May 22)* recommend a political solution to the Kashmir problem. However, nobody up to now has come up with a plausible idea of what this solution is to be.

India was divided in 1947 according to the so-called two-nation theory, based on the belief that Muslims constitute a separate nation. As every rational person knew, the theory had a flaw, namely, that religion alone does not make a nation. The creation of Bangladesh, in accordance with the overwhelming will of its people, put an end to this theory.

Kashmir has the same rights and privileges as other states of India. Indeed, it has more rights than others: Outsiders are not allowed to buy or own land there. As S. Nihal Singh wisely pointed out in his article *("The Kashmir Crisis Has Foiled Indo-Pakistani Rapprochement," Opinion, May 22)*, there is concern that reopening the Kashmir issue could lead to the balkanization of both India and Pakistan, with dire consequences.

Now that Europe, riven by rivalries and conflict for centuries, is coming together, it is odd that efforts are being made in the name of religion to dismember a secular state like India.

SARAT SOOD.
Hamburg.

Nowhere in the text of the agreement signed by Pakistan and India in 1972 is there an undertaking that Kashmir was one of the problems that would be resolved bilaterally. And Mr. Singh's contention that the status of the other 100 million Muslims in India would come *under question if Jammu and Kashmir* were to leave India on the strength of being mainly Muslim ignores that Kashmir is an entirely different matter. It is a dispute officially recognized as such by the United Nations and stems from noncompliance with the principles upon which the subcontinent was partitioned.

The problem is that India refuses to honor its pledge, made at the United Nations, of a UN-sponsored plebiscite, which would complete a process left unfinished since 1947. The Kashmiris have been denied their right to decide their future for 47 years because of this.

JAMAL A. KHAN.
Rome.

The Indian government has failed to crush the Kashmir people's struggle for freedom, despite the shootings on unarmed crowds by the paramilitary troops of the central government.

Jammu and Kashmir's accession to India in 1948 was carried out by the maharaja without the knowledge or approval of the Kashmiri people. India subsequently denied the Kashmiris the plebiscite demanded by the United Nations in 1949. During the time when the Kashmir issue was raised in the United Nations, the Indian government made several pledges on the rights of Kashmiris. Jawaharlal Nehru stated in a telegram to the prime minister of Pakistan that it was the inherent right of the people of Kashmir to determine their own future. But now India very shamelessly denies us this right.

MAHMOOD A. HUSSAIN.
Jammu Kashmir Liberation Front.
London.

Indian authorities, especially the former government, must be blamed for allowing the Kashmir problem to escalate to its present point. Corruption in local government went unchecked, and elections were rigged. The central government was reluctant to interfere. When the state government finally was dismissed, it was too late.

As an Indian Muslim, may I suggest that breaking away from India is not the answer to the Kashmiris' problems. In the long run, it will be harmful to them. Muslims from the Indian side went to Pakistan during partition in 1947. They are called Mohajirs. They are considered second-class citizens there.

The United States and Arab allies of Pakistan should tell Islamabad to stop aiding the militants.

Indian Muslims will suffer badly if India loses Kashmir. Hindu militancy will grow. Islamic countries should take particular care over this.

RASHEED PATHAYAKANDY.
Kuwait.

Indian rule gave the Kashmiris a freely elected local parliament, democratically elected governments, a university, an engineering school, a medical college and industries, and opened their small but beautiful valley to the tourist trade. In my side of Kashmir (we call it Azad Kashmir, or Liberated Kashmir) we do not even have sufficient money for *primary schools. Corruption surpasses* even its general level in Pakistan. Islamic fundamentalism reigns supreme.

We realize fully well that in the event of a war with India our three major industrial cities of Sialkot (on the Indian border), Lahore (only 25 kilometers from the border) and Karachi, also the only port of the country, will be devastated. Slaughter of civilians will take place, and millions of refugees will be created on both sides of the India-Pakistan border. Yet we continue to support the Islamic fundamentalists across the cease-fire line in Kashmir. Isn't this madness that should be opposed with all means at our disposal?

Let us discuss the problem of bread, rice and dhal for all citizens of Jammu and Kashmir, including the Hindus, and not preach plebiscite and referendum and so forth, which means taking away chunks of Pakistan and India and eventually handing over an independent but decimated Kashmir to the Islamic bigots.

MUHAMMED NAIM ULLAH.
London.

Trapped in San Juan

In response to the report "U.S. Customs Screening System Fails to Keep Felons Out" (May 11):

To travel from Santo Domingo in the Dominican Republic to Berlin, I had to change planes in San Juan, Puerto Rico. I was informed that no U.S. visa was *necessary. None was, provided one made* one's connecting flight. But four Austrians and I did not, because U.S. immigration agents took so long checking our documents. They did not use computers, and relied only on a lot of forms.

The next flight out was a day later. As transit passengers without visas, we were treated more or less as criminals. Our passports and tickets were taken from us. We were given the choice of staying in a hotel under guard, or overnight at the airport. I cannot understand why the United States cannot organize the transit in San Juan so that people who have no wish to stay there can make their flights. It wouldn't even take computers.

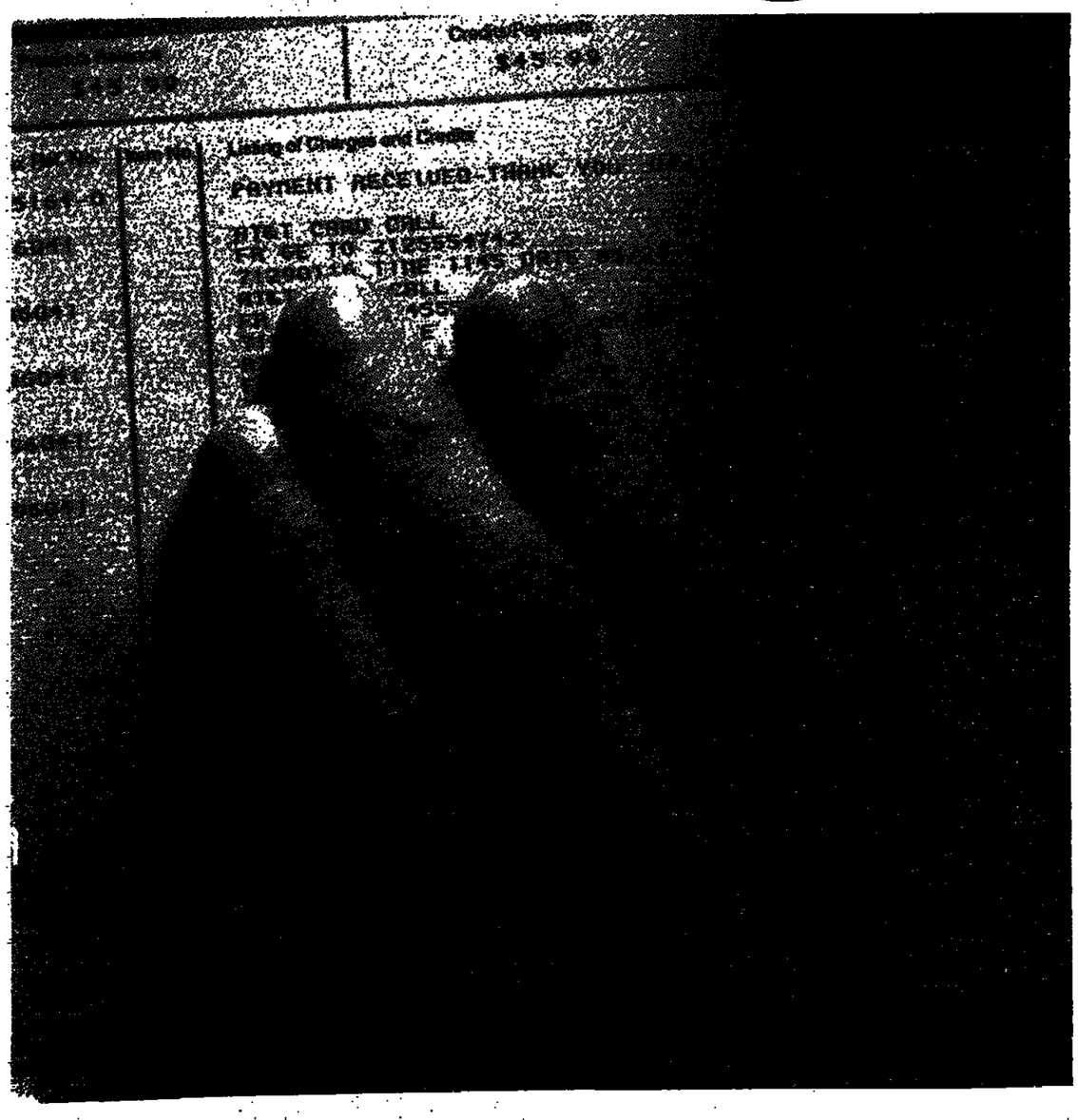
EDUARDO ANGELERI.
Bad Liebeuzell, West Germany.

And They're Cheap, Too

The fact that Filipino merchant seamen outnumber all others worldwide, *(Asian Topics, May 11)*, is not solely because they are good seamen. The foremost reason for their employment is their willingness to work for low wages.

R. AUTHIER.
Biarritz, France.

Quick! Who did you call on the night of May 25th?



If you're an American living abroad* and you need to keep track of your calls, you really ought to get the *AT&T Card.* First of all, you get a monthly itemized bill. A new option even lets you bill your *AT&T Card* calls to your American Express® Card account.** Or, you can choose to be billed to your VISA® or MasterCard®.***

In addition to itemized billing, the *AT&T Card* makes it easy to reach family, friends and business associates in the States. And, you can take advantage of *AT&T USADirect®* service, which gets you through to an *AT&T Operator* in seconds.

For an *AT&T Card* application, call us collect at **816 654-6004 Ext. 60,** or write to AT&T Card Operations, P.O. Box 419395, Kansas City, MO 64141-0434.

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* Exclusively for U.S. citizens living abroad with valid U.S. passports and Social Security numbers.
** Billing will be in the same currency as your American Express statement.
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The *AT&T Card* lets you keep track of your monthly calls to the States.

AT&T The right choice.

JAPAN: *Surging Investment From Tokyo Will Reshape Western Europe's Economic Landscape in the 1990s*

(Continued from Page 1)

Community was not much more than a footnote in Japan's overseas investment plans, accounting for less than 10 percent of the nation's worldwide total. The dramatic shift, economists say, should be seen as a reflection of changes in the economy at home and as part of a gradual reduction in the nation's economic and psychological dependence on the United States.

In the 1960s, when the first wave of Japanese companies went abroad, roughly three-quarters of the investment was in resource-producing nations in Southeast Asia and Latin America. After the first oil crisis in 1973, attention was quickly recentered on mega-projects in Mideast oil-producing countries.

In the 1980s, the strategy began to evolve again. Since the second oil crisis, the Iranian revolution and the recession of 1981, Japan has increasingly concentrated on the globalization of its industries, leaving the resource search behind in favor of the advanced economies of the United States and Europe; in Asia the emphasis has switched to low-cost production and strategic positioning for future markets.

In the investment boom of the 1980s, during which commitments abroad averaged annual growth of 40 percent, Japanese manufacturers, banks and other companies made their first serious forays into Western Europe. But the approach was not nearly as systematic as it is often assumed to be.

Britain offered natural advantages to the Japanese. It was the easiest step to take from the United States, and the Japanese desire for a European foothold mirrored Britain's efforts to deepen its technology base and revive its industries by targeting technologically proficient foreign investors.

In the year to March 31, Britain is estimated to have absorbed $6.67 billion in Japanese direct investment, about 45 percent of Japan's commitments in Europe. Among the investors was Toyota Motor Corp., which began building a $236 million auto and engine plant in Wales.

"We looked into several countries before deciding on Britain," said Tatsuo Takahashi, general manager of Toyota's Europe division. "To harmonize with Europe was the No. 1 goal, but Britain extended the biggest welcome, and, after all, English is the foreign language we can best understand."

No one expects the Japanese to abandon Britain. But the principal beneficiaries of the 1990s will be West Germany and France, the third area of European concentration after Britain and the Benelux countries: Belgium, the Netherlands and Luxembourg.

This year, DB Capital Markets (Asia) Ltd. expects West Germany to attract $1.9 billion in Japanese capital and France $1.5 billion. — The shift partly reflects the view that investment is now simply too concentrated in one country and partly a growing recognition in continental Europe of the benefits brought by Japanese participation in industry.

Beyond this, as investments increase in sophistication, cost factors are giving way to concern about the best available engineering, technology and support industries and the ease with which Japanese manufacturers can forge links with them. More broadly, global competitive pressures are forcing the Japanese, like everyone else, to get as close as possible to their markets.

The thrust of European investment will switch from Britain to West Germany and France, which the Japanese see as springboards for dominant positions in manufacturing and service industries.

Many Japanese companies are advancing into the Continent through existing operations in Britain or even the United States. Dainippon Ink & Chemicals Inc. has built its presence from scratch by making 12 European acquisitions in the past two years, all of which were managed through the company's U.S. subsidiaries.

Dainippon underscores another evolving trend among Japanese investors. While independent start-ups and joint ventures are common among large companies — the recently forged link between the Mitsubishi group and Daimler-Benz AG is the most prominent example — acquisitions are expected to increase dramatically in coming years, especially among the small and medium-sized companies now beginning to move into Western Europe.

For one thing, few companies of any size can afford the top-to-bottom investments that would otherwise be needed to compete on the continent. For another, as Japanese companies penetrate Europe, they are eager to avoid both oversupply and the friction that would result from overheated competition.

"The strategy is to utilize fully the production facilities that are already there," said Mr. Takebe of Industrial Bank of Japan. "It may go smoothly and it may not, but we expect mergers and acquisitions activity to increase significantly."

So far this year, Japanese companies have made 21 manufacturing investments in France, for instance, compared with 35 in all of 1989. About 40 percent of these, according to a research paper released Monday by UBS/Phillips & Drew International Ltd, were made by taking over ailing French concerns.

Kao Corp., the diversified maker of household and personal-care products, first entered Europe four years ago through a West German joint venture called Guhl Ikebana GmbH. It has since set up three European research laboratories and established Kao France SA earlier this year.

But it was not until Kao spent $160 million last year acquiring Goldwell AG, a maker of salon products based in Darmstadt, that the company felt it had begun to cover its target markets adequately. Although cash is currently tight, Kao is looking for similar acquisitions in France, Spain and Britain.

"As far as research, manufacturing technology, product quality and finance are concerned, we're confident we can succeed in Europe," said Kunio Shimizu, an executive at Kao's Tokyo headquarters. "But we had no distribution channels, and it would take 20 years to establish our own. So we took the M & A route."

Japanese executives clearly feel more capable of running foreign concerns than they did even a few years ago, business consultants said. At the same time, the localization of management — another Japanese goal — will require not just talented Europeans, but executives who understand Japan and know how Japanese companies work.

This will be essential as controversial screwdriver plants give way to investments in advanced technology, research and development and local parts procurement. Preserving production processes perfected in Japan, economists say, is among the most basic principles these companies are bringing with them to Western Europe.

Mr. Summerville of Jardine Fleming terms these processes, which are the key to Japanese competitiveness, the "paradigm economy" of the 1990's — the state-of-the-art standard by which other production methods must be measured, just as Henry Ford's assembly lines were in the 1920s and 1930s.

"Japan has gone from 'just-in-time production' in the 1960's to 'just-in-time design and development,'" Mr. Summerville said. "These are revolutionary rules of the game, and the Japanese won't sacrifice them."

Given recent Japanese investment patterns in the United States, it is clear what this could mean for Europeans. From 1986 to 1988, when Japanese auto manufacturers made heavy investments in U.S. production facilities, more than 350 parts suppliers and supporting companies set up operations in the United States along with them.

Whatever production structure emerges among auto makers, the industry is a good example of the impact the Japanese are likely to have on Europe's competitive environment as the 1990's progress. All the major producers — Toyota, Nissan Motor Corp. and Honda Motor Corp. — will soon be producing in Europe; Mitsubishi Motors Corp., a second-tier manufacturer, is now developing production plans with Daimler-Benz.

Already there are shifts: the recent joint-equity agreement between Volvo AB and Renault, Fiat SpA's ongoing talks with an assortment of companies including Ford Motor Co. of the United States. Analysts said they expected to see a big restructuring among Europe's six major producers in this decade; at present, they say, none has the scale efficiencies necessary to compete with Japanese manufacturers either in Europe or elsewhere.

Next: Japanese investment in Asia.

Toll Climbs To 117 After Ethnic Riots In Pakistan

Reuters

HYDERABAD, Pakistan — The death toll from a weekend of ethnic violence in the southern city of Hyderabad rose to 99 Monday as more bodies were recovered, doctors said.

Dozens of bodies were brought into hospitals overnight after the worst violence in four years of ethnic trouble in Sind Province.

And in Karachi, the Sind provincial capital, at least 18 persons died Sunday.

Doctors said that almost all the Hyderabad victims had been shot, many in riots during a police operation to recover illegal arms from the Pucca Qila district and other areas heavily populated by Mohajir immigrants from India.

At least 20 of the victims were women killed when more than 10,000 people took to the streets Sunday to demand the lifting of a two-week curfew and to protest police actions.

Troops were patrolling Hyderabad Monday with shoot-to-kill orders after police were withdrawn from some districts.

The Mohajir National Movement, which represents the Muslim immigrants, said that police opened fire Sunday without provocation. But the security forces said they had fired only after being shot at.

"I do not understand why police fire at unarmed women and children," said Dr. Rashid Ahmed Khan, one of a dozen doctors who worked around the clock after Sunday's shooting.

"I could not control my tears after watching the dead and the wounded," he said.

The ethnic clashes involved Muslim immigrants from India, native Sindhis and settlers from other parts of Pakistan.

Mohajirs, who dominate the populations of Hyderabad and Karachi, are bitterly at odds with the Sindhis, who control the government and police.

Aftab Ahmed Sheikh, the mayor of Hyderabad and a member of the Mohajir National Movement, accused police of a range of abuses in Pucca Qila.

"Police let loose every type of atrocity," he said, "including arson, looting commercial areas, breaking open doors and locks and raping of women."

Sindhi community leaders made similar claims about members of the Mohajir movement. "We are the victims of MQM torture," said one Sindhi, Aziz Magsi.

As Gandhi Party Loses, Hindi Gains on English

By Barbara Crossette
New York Times Service

NEW DELHI — Indians who have been voting state-level Congress (I) Party governments out of office in a series of elections now find that they are getting more than just new faces.

In several of the country's larger states, recently elected governments are declaring war on the English language, reversing the trend toward the spread of English as a common link for a multilingual country.

"Angrezi hatao!" is the cry. "English out!"

It was first raised in Uttar Pradesh, the country's most populous state, by Chief Minister Mulayam Singh Yadav, a populist and unabashed Hindi-language chauvinist.

The state of Madhya Pradesh followed suit. In both, new state governments have ordered that all official work be conducted in Hindi, and that letters written in English not be answered. Some zealots are already at work on road signs.

The states of Bihar and Rajasthan also have strong anti-English lobbies.

In part, the pro-Hindi lobby is reacting to the cosmopolitan English-speaking coterie that surrounded the former national government of Prime Minister Rajiv Gandhi.

In many poor, rural areas — the norm in northern India — Mr. Gandhi, who speaks Hindi clumsily, was regarded virtually as a foreigner.

Prime Minister Vishwanath Pratap Singh, who replaced Mr. Gandhi in December, is from a princely family in Uttar Pradesh and speaks flawless Hindi with aristocratic polish. At street level, the language tends to be more slangy, and generously sprinkled with English phrases.

Hindi, a Sanskrit-based language spoken by at least 300 million people but common only to the northern part of India, was intended by leaders of the independence movement to one day be the medium of expression for the whole nation. English, the language of colonial Britain, would remain only as a temporary link to unite a linguistically diverse country.

But within a decade of independence in 1947, southern India, and particularly the state of Tamil Nadu, objected violently. Language riots veered toward secessionism. The pressure to enforce Hindi nationwide was dropped.

English-language education is now in great demand by parents all over India, who often hope that their children will qualify for American or British universities, or for careers in science and technology, for which English is required.

Mr. Yadav, to his embarrassment, was found to have his own son enrolled in an English medium school.

Critics of the new campaign to wipe out English — which comes just as Indian writers in that language are beginning to gain international acclaim — are disturbed by the motivations behind the drive. Many writers are calling it an arrogant and retrograde move by a dominant group prepared to trample on minority feelings.

Khushwant Singh, an Indian novelist and journalist who is an outspoken advocate of English, calls it "England's greatest bequest to India and India's greatest national asset."

"The surest way of arresting progress and putting the clock back," he wrote in Sunday, a newsmagazine, "is to ban the use of English."

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International Herald Tribune A Special Report Tuesday, May 29, 1990

Catalonia: A European Profile

'92 Market A Challenge For Business

By Gayle Allard

BARCELONA — Catalonia, traditionally the most business-minded region of Spain, is showing mixed results as it races toward 1992. On the one hand, the automobile and chemicals sectors, both dominated by multinationals, are performing brilliantly; on the other, many Catalan-owned firms and certain sectors such as textiles appear incapable of meeting the challenge of a more competitive European market.

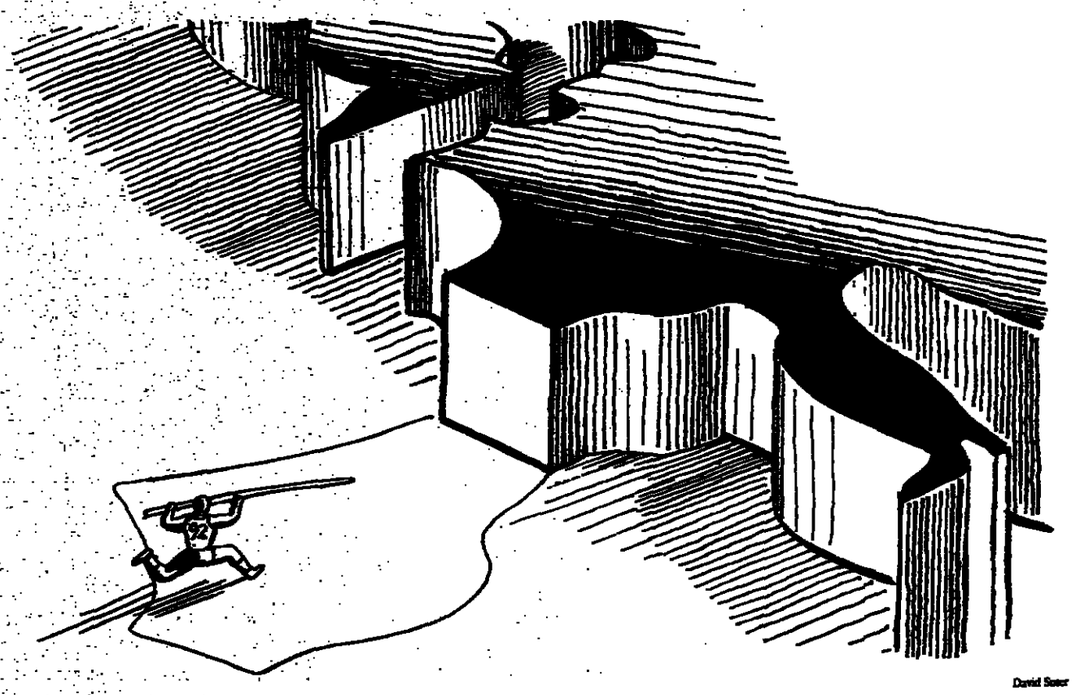
Catalan industry grew at an impressive 6.3 percent in 1989 for the second straight year. Investment was high, with $161 million in new facilities and expansion of productive capacity in the first quarter alone; unemployment was down, and key indicators such as cement consumption, up 23 percent, pointed to the good health of industry in the region.

Vehicle manufacturing and its auxiliary industries, the most important subsector of Catalan industry, were the stars in 1989, raising output by an impressive 10 percent. The subsector revolves around Seat, once a Spanish state-owned company now controlled by Volkswagen, and the Japanese Nissan Motor Ibérica, as well as the three motorcycle producers operating in Catalonia, Yamaha, Honda, and the Spanish-owned Derbi. A host of components producers has grown up to serve these companies in the industrial belt surrounding Barcelona.

In the chemicals sector, the second most important for Catalan industry, growth last year was a more moderate 6 percent, which was still above the European average. Multinationals also have an important presence in chemicals: Solvay, Bayer, Dow Chemical, Hoechst, the British ICI, and many others are operating in Catalonia. Unlike the automotive subsector, however, there are still a significant number of Spanish-owned firms on their feet and holding their ground, such as Aiscondel and Ferrer Internacional.

Another dynamic area for Catalan industry last year was consumer electronics. Barcelona is the home of 68 percent of Spain's television, radio, and household electronics manufacturers, including Sharp, Sony, Sanyo, Pioneer, and Vanguard (owned by the British ITM). The only major company still independent of multinational influence is Elbe, which turned in revenues of $152 million in 1988. Two more brilliant performers were cement and construc-

Continued on page 14



David Suter

Barcelona Steps Up the Olympics Pace

By Al Goodman

BARCELONA — As the two-year countdown approaches for the 1992 Olympic Games, fears are subsiding that Barcelona might not have everything ready in time for the athletic stampede.

Friction among local politicians that seemed to endanger completion of highways and hotels has yielded recently to renewed resolve by the national and local governments to make sure the Olympics come off as planned.

"The climate has changed, in the sense that there is tension, but it is positive tension," said Barcelona's Socialist mayor, Pasqual Maragall, who is also president of the Barcelona '92 Olympic Organizing Committee (COOB).

What caused the change?

"Well, the calendar, because everyone realizes that at the two-year point before the Games, the political cost to pay for creating unrest is very high," Mr. Maragall said.

In just a few short weeks this spring, public funds were virtually assured to build a light rail track up Montjuich hill for better access to the main Olympic venues, and the Socialist prime minister, Felipe González, created a special commission under his personal supervision to ensure government coordination for the Olympics.

In addition, Barcelona construction unions that had threatened strikes ended up accepting a pay increase in a new contract with builders through the end of 1991, the key period to complete Olympic projects.

Josep Miquel Abad, chief executive officer of COOB, said that upon hearing of the union accord May 2, he phoned Juan Antonio Samaranch, president of the International Olympic Committee.

"He said, 'Whew! Congratulations!' I think a sense of responsibility is what prevailed" among unions and builders, Mr. Abad said.

Looking ahead, Mr. Abad said Olympic organizing should be unaffected even if the Socialists lose Barcelona city hall in next year's elections to the Catalan nationalist party that already runs the Catalonia regional government.

Tension between the political competitors had been seen as a weight on getting ready for the Olympics, which has become a 500 billion peseta ($4.3 billion) job.

The Barcelona organizing committee's budget of public and private funds amounts to just over a fourth of the total outlay. Other public agencies oversee construction of the Olympic Village apartments, airport expansion, new highways and a telecommunications tower that should benefit Barcelona long after the Games are over.

The committee's direct activities — readying the sports venues and handling the more than 45,000 athletes, coaches, reporters, sports officials and corporate sponsors who will descend on Barcelona from July 25 to Aug. 9, 1992 — is

Continued on page 12

Regional Economy Flexes Its Muscles

Leaders Debate Political Dimension

By William Chislett

BARCELONA — Catalonia's increasingly high profile was graphically illustrated earlier this year when President George Bush received Jordi Pujol, president of the Generalitat, the region's autonomous government. Although the meeting lasted less than 10 minutes, the important thing was that Mr. Pujol had gotten his foot in the Oval Office and his picture with Mr. Bush spread across the Spanish press.

After Prime Minister Felipe González, Mr. Pujol is probably Spain's best-known political leader abroad. He is a tireless promotor of Catalonia, Spain's most industrially diversified and business-oriented region, whose capital, Barcelona, will host the 1992 Olympic Games. At the end of this month Mr. Pujol visited Japan and met with Emperor Akihito.

Mr. Pujol has a clear vision of the rising importance of Europe, and he is determined that Catalonia will play an even greater role in Spain's economic renaissance. The same size as Belgium, Catalonia, with a population 6 million (one-sixth of Spain's total), currently produces almost 20 percent of Spain's gross national product and more than a quarter of the country's exports.

"The main theater of operations in the 1990s will be Europe," he said in an interview. "It will not be the main power in the world, but it will be the battleground for world hegemony in the economic and trade fields between Europe, Japan and the United States."

He believes that Catalonia is the best area for foreign companies wishing to invest in Spain as well as position themselves for the single EC market after 1992.

Foreign investment in Catalonia grew 75 percent in the first 10 months of 1989 to $2.25 billion. This figure represented 25 percent of all foreign investment in Spain for the period. France was the biggest investor with $335 million, followed by West Germany ($308 million).

Almost all Japanese industrial investment in Spain is in Catalonia. Nissan is to invest $675 million between now and 1995 to expand and modernize its Motor Ibérica facility in Barcelona. Nissan is to enter into a joint venture with Ford Motor to produce and market a family vehicle. Sony is planning to produce 600,000 TV sets by 1992 at a new plant near Barcelona, more than half of them for export.

The Japanese group Sogo, owners of a large chain of department stores, is to invest $273 million in the construction of a new hotel near the Olympic sports complex in Barcelona. The 44-story, 530-room building will be the tallest hotel in Spain.

U.S. investment in Catalonia, however, is still low (15 percent of the total), but this is beginning to change. Rockwell International, for example, is considering Catalonia for possible investments in its automotive, electronic and graphic arts division.

Other U.S. multinationals currently holding discussions on investment in Catalonia are Ralston Purina, FMC Corp, Unisys, Boeing, Electronica Data Systems and Anheuser-Busch.

Companies are attracted by Catalonia's long industrial tradition, its location near to France and on the Mediterranean, a work force quickly receptive to training and an aggressively business-oriented government.

> The same size as Belgium, Catalonia produces almost 20 percent of Spain's gross national product.

MR. PUJOL recalls that in 1950, a decade after the end of Spain's civil war, during which Catalonia took the Republican side, the victorious Franco regime tried to persuade Fiat not to set up a joint-venture car plant with the Spanish state, called Seat, in Barcelona. Fiat said it was Catalonia or nowhere.

Today, Seat, owned by Volkswagen, is Catalonia's leading exporter.

The region's star has never been brighter. Since Spain joined the European Community in 1986, the region's economy has grown every year at a faster pace than the dizzy rate of Spain as a whole.

Last year, the Catalan economy grew 5.6

Continued on page 13

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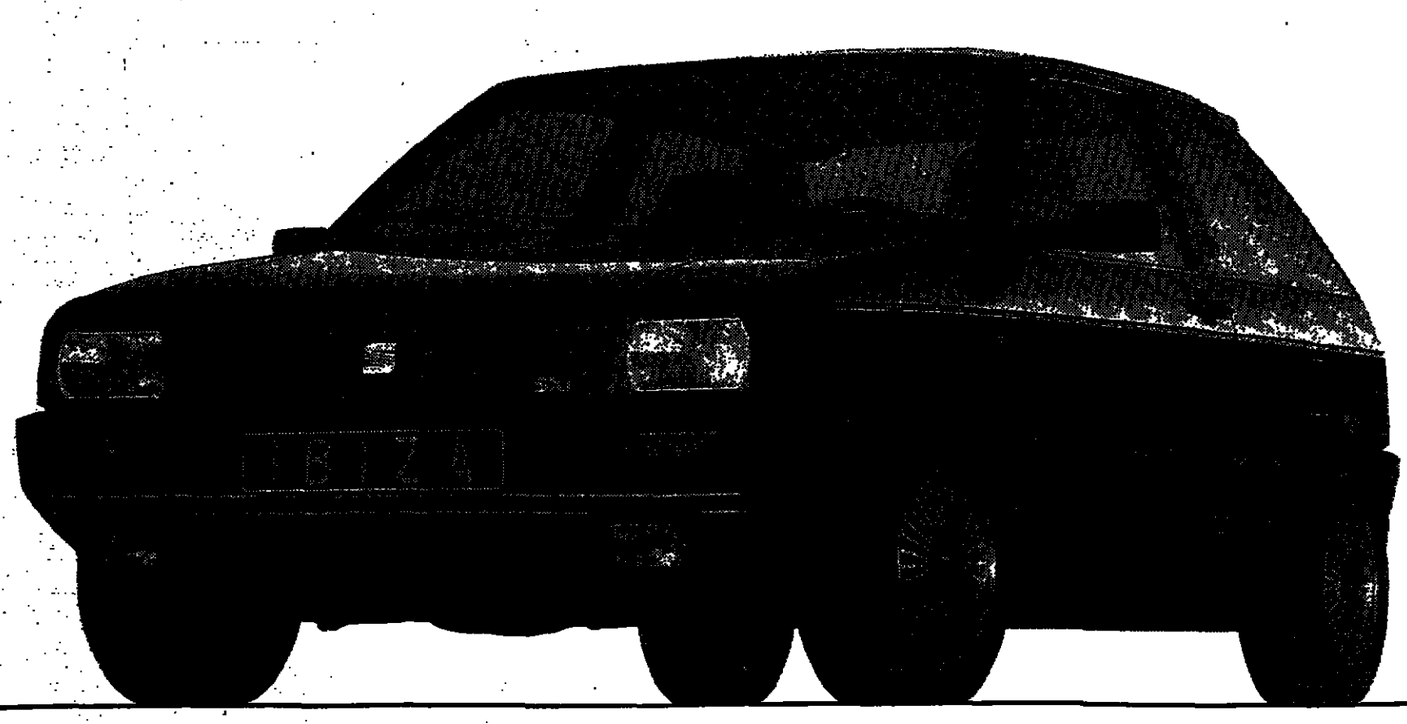

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Catalan Diaspora Spreads the Word

Centers for Study Flourish Abroad

By Cynthia Cuttman

PARIS — When Franco's forces entered Barcelona early in 1939, the generalissimo's first decree banished the heart of Catalan existence, its language.

It was not the first time that this fervent cultural symbol was judged as subversive by the Castilian heartland. If the court of Ferdinand and Isabella conquered the New World with the cross and sword, in Spain, their reign marked the beginning of Catalonia's dissident life.

By the time the dictatorships of Primo de Rivera and later Francisco Franco ruled over Spain, Catalans were experienced in keeping their language alive underground. They had done so in 1716 after the War of the Spanish Succession when Philip V banned its use. It flourished again during the "Renaixença" of the 1830s. At the beginning of this century, in a series of enlightened initiatives that seemed to foresee the dark times ahead, regional leaders fitted the language with a formal academy, a grammar, a dictionary, and a set of spelling rules.

In 1939, the language fled into exile with over 600,000 Catalans who had fought under the Republican banner. They crossed over to France, dispersed throughout the world and in over 30 countries, founded a *Casal Català* to safeguard their language through teaching, to promote Catalan culture and uphold their traditions. Throughout Franco's dictatorship, they formed militant cultural groupings, publishing intellectual and literary reviews from Chile, Argentina and Mexico.

This is once again an ebullient time for Catalans. In the last few years, foreign publishers have discovered the vigorous individualism of Catalan writers and their Romanesque visions of Barcelona. The public has been introduced to the mythical and epic memories of Eduardo Mendoza, Juan Marsé, Juan Goytisolo and Manuel Vazquez Montalban. It has had the chance to discover what Cervantes called the "best book in the world," Joanot Martorell's "Tirant lo Blanc," a 15th-century Catalan tale of chivalry and honor. "The language was very battered," said Montserrat Mondal Prudon, director of the Centre d'Etudes Catalanes in Paris. "It has now regained its glow. It resisted, and strengthened through resistance."

As part of the Sorbonne, the center, inaugurated in 1977, is located in a stately, renovated *hôtel particulier* of the 17th century, in the Marais district. As one of Europe's major centers of research in Catalan studies, it holds a library of 10,000 works in Catalan under its high-beamed ceilings. About 150 students learn the language there, and public conferences are held on subjects ranging from Catalan in the 15th century to lectures on architecture, music and contemporary literature.

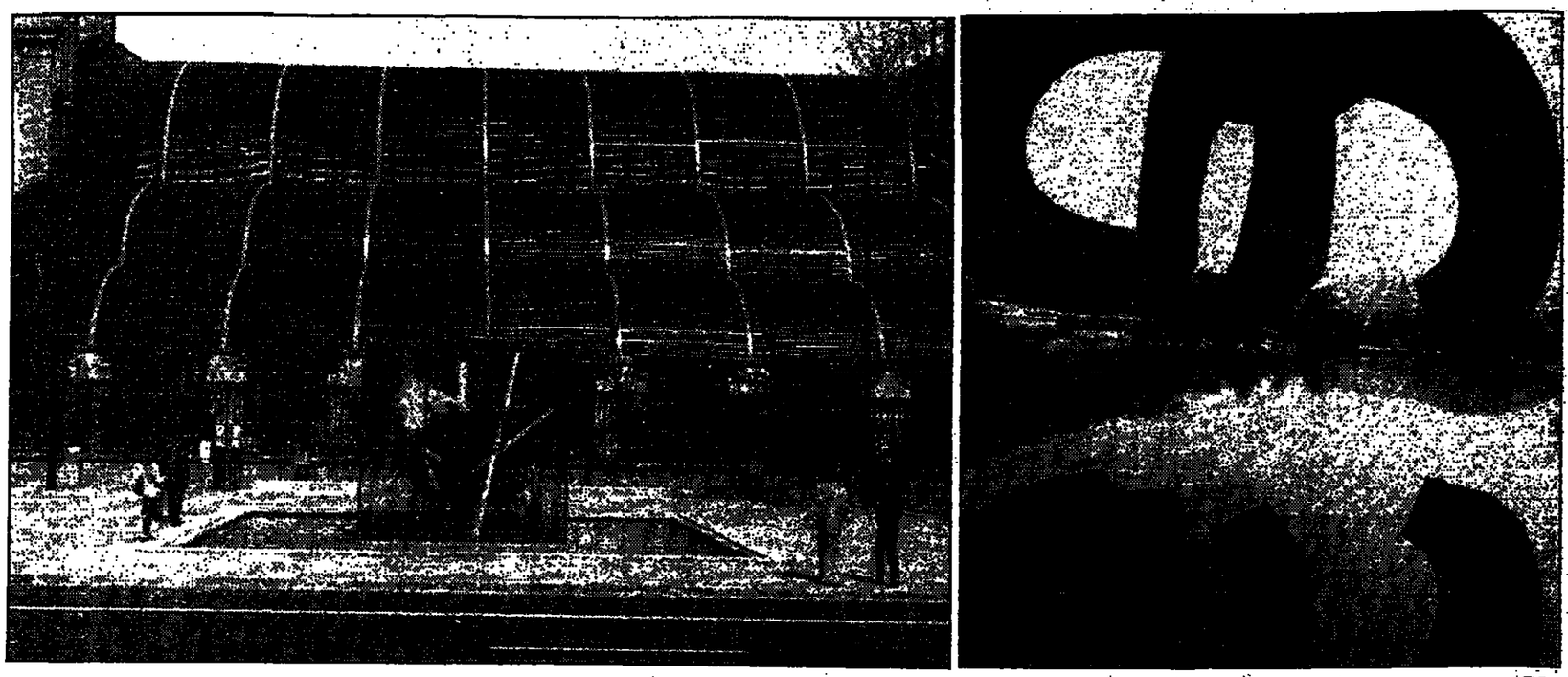
"There were two kinds of exiles at the end of the Civil War," said Mrs. Prudon. "The 'intelligentsia' left. Catalonia found itself dried out. Those who left wrote, fought and published from abroad. Others stayed on and went into an inner exile." She noted the case of one of Catalonia's most translated writers, the poet Salvador Espriu, whose entire work focuses on the oppression of his people.

Now out of its hiding and official in Catalonia, the language of 10 million people is treated as an only child by the autonomous government of the province. The Generalitat sends teaching materials, videos and other assistance to Casals Catalans around the world, and helps sponsor exhibits on Catalan culture.

Catalonia envisions a Europe of regions, rather than of countries. A traveling exhibit that opened in Milan last month, "Four Motors for Europe," has been organized by the regions of Rhône-Alpes, Baden-Württemberg, Lombardy and Catalonia, and profiles the technology, economy, architecture and history of the four areas.

The Casals Catalans and centers of Catalan study around the world have not lost their *raison d'être* since the advent of democracy. The Catalans appear more determined than ever to act on their own stage: "They feel slightly scorned, the value of their language is not truly recognized," said Mrs. Prudon. "But the proof that it is alive is that young people are writing in Catalan."

CYNTHIA CUTTMAN is on the staff of the International Herald Tribune.



Antoni Tapies's sculpture "Homage to Picasso" (1984) on the Passeig Picasso, left. "Eulogy to Water" (1986) by Eduardo Chillida in Parc de la Creveta del Coll. CI Fog

Diffusion of Arts Highlights Cultural Resurgence

By Al Goodman

BARCELONA — Catalonia is nearing a high tide mark in a cultural resurgence that has enticed native artists and renowned foreign sculptors and architects to leave their creative imprint on the region.

The arts frenzy is centered in the capital city of Barcelona, but throughout the four provinces of Catalonia, restorations of historic treasures, diverse exhibitions and a popular all-night theater festival attest to the depth of the movement.

"The cultural growth coincides with an economic and political situation to support it" for the first time in recent memory, said Joan Guitart, head of the cultural department of the Catalan regional government.

The 1992 Olympics in Barcelona provide extra impetus to the cultural revival that has been brewing for several years, explained Daniel Giralt-Miracle, director of the Museum of Contemporary Art in Barcelona, which is among new cultural centers to be built by 1992.

Catalans, who for years looked inward during the Franco dictatorship, which prohibited public use of the Catalan language, now are looking outward and using art as the contact point with the outside world, Mr. Giralt-Miracle added.

Since February alone, Catalan exhibitions of visual arts, sculpture, and literature have been presented in New York, Tokyo and London.

In Barcelona, some $260 million in public funds is earmarked for cultural projects, excluding the Olympics. Top-flight architects are picking up the reins from Antoni Gaudí and other Modernists who put their stamp on the city early this century.

Catalonia's own Ricardo Bofill has designed the National Theater of Catalonia and a small sports venue for the Olympics, both under construction. The American architect Richard Meier conceived blueprints for the new contemporary art museum, and groundbreaking is expected by autumn.

Nearing completion is the 17,000-seat domed Olympic arena by Japanese architect Arata Isozaki. After the Olympics, it will host a variety of cultural and sports events.

Still to come are the National Auditorium of Catalonia for music, by Spanish architect Rafael Moneo; the National Archives of Catalonia and renovations to Barcelona's Liceo opera house and the museum for Romanesque art.

The city of Barcelona's much-watched program of "urban spaces," in which outdoor sculptures are integrated into plazas and parks, aims for about 10 additional sites by the Olympics, involving Roy Lichtenstein, Fernando Botero, and Catalan artist Susana Solano, among others.

"We don't say to the artist, 'Make a sculpture for this plaza.' We say, 'Collaborate with us in designing this plaza,'" said Josep Anton Acebillo, a driving force at city hall behind the 25 urban spaces with sculptures completed since the early 1980s.

The idea, he said, is to keep the street or plaza functional in its urban context, but also to dress it up in an emblematic way so that the public space helps to define its local neighborhood.

Joan Miró's "Woman and Bird" sculpture rises 22 meters (72 feet) over Escorxador park, which was among the first new urban spaces. The latest is a grassy park, beside the former Estació del Nord train station, with an expansive ceramic serpentine sculpture by Beverly Pepper.

In Catalonia's burgeoning field of industrial and graphic design, younger artists in their 30s and 40s are the vanguard, said Mai Felip, general manager of the nonprofit Barcelona Design Center (BCD), which started in 1973.

BCD's most ambitious traveling exhibition — with 450 design products ranging from lamps to jewelry and packaging graphics — is in Stuttgart, continuing a tour that began in Milan in 1988 and was in New York in February.

Among those who have participated in BCD's activities are Valencia native Javier Mariscal, designer of the friendly dog "Cobi" as the mascot for the 1992 Olympics, and Barcelona architect Oscar Tusquets.

Tusquets's curvy "Gaudiso" chair, in homage to Gaudí, sells for about $450 at Vinçon, a longtime Barcelona store that now has several competitors retailing Catalonia designs in the fashionable district near the city's Passeig de Gràcia boulevard.

THE cultural revival has been strong in theater, much of it presented in the native Catalan, since the advent of democracy. An estimated 900 amateur theater companies operate in Catalonia, several hundred more than a decade ago, Mr. Guitart said.

A September theater festival in the Lérida provincial city of Tárrega has become a focal point. Dozens of shows are crammed into a four-day weekend, some of them playing in outdoor squares during the middle of the night. If well received in Tárrega, theater troupes later may get contracts for other dates, Mr. Guitart said.

In Barcelona, some 20 professional theaters include a movie hall just converted for the stage. The theater company led by Josep Maria Flotats, who formerly worked with the Comédie Française in Paris, is one of the attention-getters.

The regional government's fifth edition of the "Photographic Spring," which occurs every two years, presented 66 exhibitions throughout Catalonia this year of Catalan, Spanish and foreign photography.

In literature, a record 4,300 original works and translations were published in Catalan in 1989, an increase of 89 from the previous year.

Moviemaking in Catalan, on the other hand, has not caught the imagination of many directors and lags behind in the cultural revival, Mr. Guitart said.

While the Cultural Olympiad connected to the 1992 Summer Games mounts diverse arts events from its Barcelona base, cities throughout Catalonia have joined in the cultural resurgence, such as restoration of historic quarters in the provincial capitals of Gerona and Tarragona.

The frequency of exhibitions and conferences in Gerona provincial cities such as Bañolas and Ripoll show how the cultural movement is decentralizing, Ms. Felip noted.

"People don't feel like they have to live in Barcelona," she said.

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Ajuntament de Barcelona

Increasing Pace for Olympics

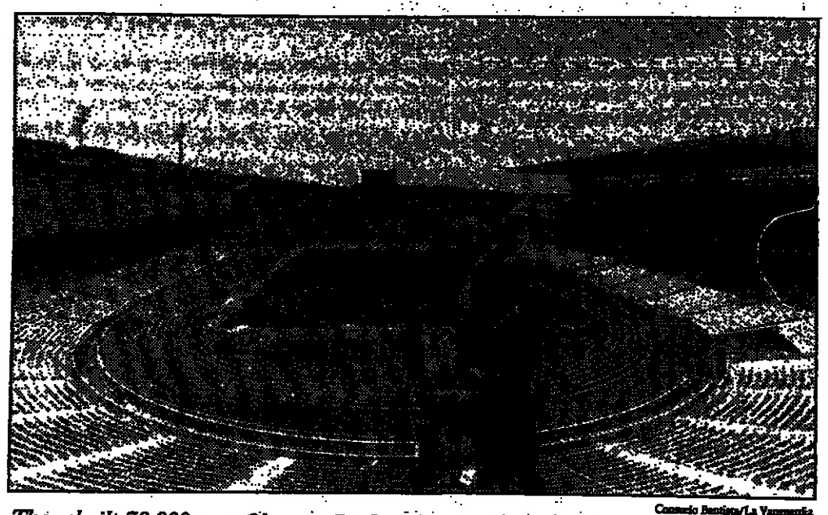
Continued from page 11

proceeding essentially as planned, Mr. Abad said.

On Montjuich, the hill overlooking central Barcelona, work is far advanced on the main Olympic venues. The 70,000-seat Olympic Stadium for track and field maintains its 1929 original facade but has been completely reworked inside. It was inaugurated last September for an athletic competition and will get a sound check this summer during the Rolling Stones concerts there.

Next door, a 17,000-seat domed arena is to open in October for an international basketball tournament starring the New York Knicks. But during the Olympics, the sports hall will host gymnastics and the volleyball and handball finals.

Swimming and diving pools on Montjuich also are being revamped. To get spectators up the steep hill, the light rail train will climb one side, temporary outdoor escalators will ascend another side and an existing funicular will increase its passenger capacity. There will also be shuttle buses, according to committee spokesmen.



Consuelo Bautista/La Vanguardia

The rebuilt 70,000-seat Olympic Stadium retains its original 1929 facade.

In the Diagonal area of the city, the key Olympic venues are the established soccer stadiums of Barcelona's two main professional teams. In the Vall d'Hebron section across town, the existing velodrome will be joined by facilities for archery and tennis.

The fourth major Olympic area is the Parc de Mar district along the coast. There the Olympic Village for 15,000 athletes was undergoing foundation work this spring. Nearby will be the new Olympic marina, gateway to the yachting competitions.

The complex includes new office and hotel skyscrapers and extends 1.5 kilometers (almost a mile) on land formerly occupied by aging industries.

The Olympic Village apartments, for occupancy after the Games, went on sale to the public in May at prices up to 250,000 pesetas ($2,400) per square meter ($740 per square foot).

Other sports, such as basketball and baseball, are to be played at 16 "subsites," mainly in the metropolitan area. Most sports venues are scheduled for completion by the summer of 1991.

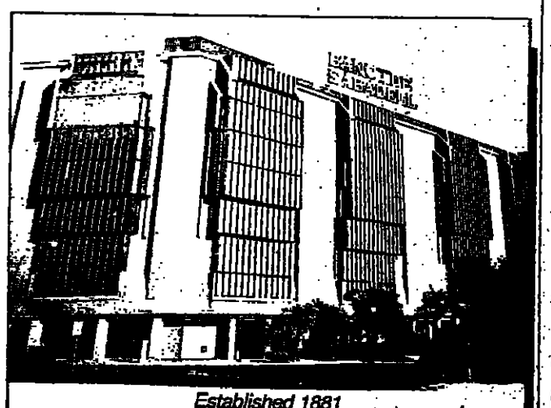
The new highways around Barcelona are deemed essential to connect the various Olympic locations and relieve traffic congestion in the city center. But at the organizing committee headquarters, there already is talk of taking over special lanes of roads or even entire streets during the Games to keep Olympic traffic running smoothly.

A question mark still hangs over Barcelona equestrian events, due to the equine plague that has killed horses in Spain. Mr. Abad said the International Olympic Committee will make a decision by the end of 1990, and if the site is not Barcelona, it will be in another, as yet-unnamed country.

The number of participating countries — 167 have national Olympic committees — will not be known until the IOC officially extends invitations next year. But Barcelona hopes to surpass the 161 nations at the Seoul 1988 Olympics. Cuba, a no-show in Seoul, already has expressed interest in Barcelona, according to the committee.

"The big issues are the ones that concern us now," Mr. Abad said at COOB headquarters in a former Barcelona maternity hospital. "Those that most concern us are already known: new hotels and getting guarantees that the ring roads will be finished."

AL GOODMAN reports from Spain for National Public Radio.



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Getting Your Ticket

BARCELONA — There will be 526 separate-entry events during the 1992 Olympics and three ticket prices for each session, averaging 1,200 to 1,700 pesetas ($11.65 to $16.50 at current exchange rates).

But prices could be higher for the opening and closing ceremonies and other popular events, said the organizing committee press chief, Pedro Palacios.

The ticket reservation request period starts from February through June 1991. In Spain, a bank (to be designated) will handle reservations. Outside of Spain, the respective national Olympic committees will select travel agencies for the task.

Reservations must be paid for from August 1991 through April 1992, and tickets will be mailed after that date. Direct ticket sales will start in April 1992.

The tentative schedule of 25 competition sports shows cycling and soccer starting on opening day, July 25, and many other sports a day later. Swimming and diving would end no later than Aug. 2, while track-and-field would not start until July 31. Basketball, boxing, field hockey and volleyball will be held throughout most of the 16-day games, which conclude on Aug. 9.

Al Goodman

Economy Flexes Muscles

Continued from page 11

percent and created more than half of all new jobs in Spain. The region's official unemployment rate is four points lower than Spain's average of 16 percent. No economist, however, believes that Spain's jobless rate is so high or there would be serious social unrest.

Ignasi Farreres, Catalonia's labor minister, says male unemployment in the region is only 6 percent, which means effectively that there is full employment for men. However, female unemployment is officially 20.5 percent.

In the financial field, which traditionally has not been one of Catalonia's strongest points, La Caixa and the Caja de Barcelona, the region's two biggest savings banks, are in the process of merging to form Spain's largest bank, with $32.5 billion of assets. The new institution will give Catalonia more financial muscle.

In a bid not to be left on the margin of Spain's stock market reforms, centralized in Madrid, the Barcelona stock exchange launched a futures market in March.

Meanwhile, plans blessed by the Generalitat to merge Aguas de Barcelona, the water company, and Catalan de Gas to create a large energy company have run up against opposition from the central government, which wants Repsol, the state energy group, to be involved in the project. Catalonia is Repsol's largest market for gas.

On the political front, tensions between the conservative Generalitat and the ruling Socialist central government in Madrid over greater autonomy for Catalonia are beginning to ease. Bickering between the Generalitat and the Socialist-controlled town hall of Barcelona have led to delays in projects connected with the 1992 Olympics, including a new highway from Barcelona's airport and a subway line to the Olympic stadium at Montjuich.

Tired of the political point scoring, a special central government commission was appointed in April to oversee the preparations, headed by Education Minister Javier Solana.

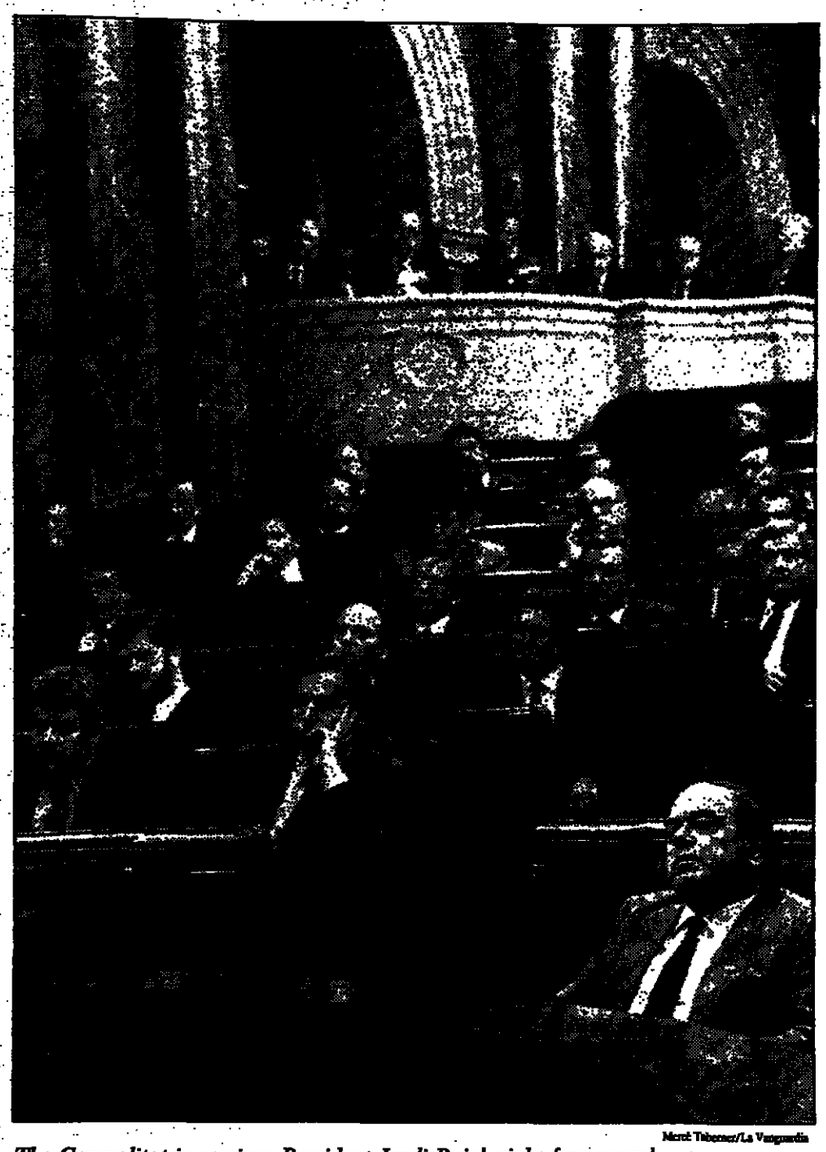
There are municipal elections in 1991, ahead of the Olympics, and if Mr. Pujol's Convergence and Union party succeeds in dislodging the Socialists from the Barcelona town hall, it will control virtually all of Catalonia.

In April, Mr. Pujol met Pasqual Maragall, Barcelona's highly popular mayor, for the first time in more than 18 months to discuss preparations for the Olympics. The town hall and the palace of the Generalitat are opposite one another, but the two incumbents like to give the impression that they are miles apart politically.

According to La Vanguardia, the leading Catalan newspaper and one of the most respected in Spain, only two of the eight hotels scheduled to be built for the Olympics will be completed on time. However, it seems to be a Spanish characteristic that everything is left to the last moment and still meets the deadline.

Barcelona badly needs more hotels. When the annual food fair is held, every available room, from five-star hotels to boarding houses, is booked solid. Fearing that the city will not have enough rooms for visitors to the Olympics, the organizing committee has made plans for 16 pleasure cruisers that would accommodate 7,000 people to moor off Barcelona's coast. Catalans are pragmatists above everything else.

WILLIAM CHISLETT, a Madrid-based journalist, recently co-authored a book on the Spanish economy.



Merce Tabernes/La Vanguardia

The Generalitat in session; President Jordi Pujol, right foreground.

Politics Sheds the Madrid Cocoon

By William Chislett

BARCELONA — Catalan politics has reached a turning point. After almost a decade of using the Socialist central government in Madrid as a convenient scapegoat for all its problems, the ruling conservative Convergence and Union party in Catalonia is beginning to adopt a more constructive approach.

The party, whose leader, Jordi Pujol, is the president of the Generalitat, the Catalan government, has governed the region since a degree of autonomy was restored to Catalonia in 1980. General Franco suppressed Catalan autonomy, including its language, when he won the Spanish Civil War in 1939. The Generalitat was first established in 1359 and has suffered repeated periods of repression.

For the first two years of its restored autonomy, when Spain's centrist government was always looking for a good working majority, the Convergence and Union party was able to use its handful of seats in the parliament in Madrid as a bargaining weapon to obtain concessions.

But the party's influence waned after the Socialists' landslide victory in the 1982 general elections and their outright victory in the 1986 poll, in which Convergence and Union won 18 seats. Since then, the Catalan party has been on a war footing with Madrid.

"The phase which has ended is that of a type of government and political style based on the idea that Catalonia has continued to be a region besieged by the same external enemy — centralism or Madrid in general — as if nothing had changed since the constitution and the statute of autonomy," said Jordi Sole Tura, a Socialist deputy in the national parliament and one of the "fathers" of Spain's 1978 democratic constitution.

"This approach enabled the Generalitat to continually avoid its responsibilities as the region's government, blaming Madrid for everything that went wrong for it," said Mr. Sole Tura, "and it masked the real dividing lines between the political forces, enabling the Convergence and Union party to present the Socialists particularly as the continuation of the external enemy. Opposing Mr. Pujol was tantamount to being against Catalonia."

Many observers have compared Mr. Pujol, christened Jordi after Catalonia's patron Saint George, with the knight fighting the dragon — in the form of Madrid. The anteroom to Mr. Pujol's office has several paintings of St. George and the dragon.

There are several reasons for the change of tack, which suits both the Convergence and Union party and the Socialist central government.

The policy pursued so far by Convergence and Union has not won it greater autonomy, particularly in fiscal matters. At the same time, the central government is in a weaker position because it lost its overall majority in the 1989 general elections, and it may need allies in the future. It is, thus, more susceptible to horse trading.

"Our objective has always been to have sufficiently good relations with Madrid in order to be able to negotiate," said Mr. Pujol in an interview. "But at times relations are bad."

Agusti Carbonell/La Vanguardia

Pasqual Maragall, mayor of Barcelona.

At the same time, by giving greater powers of autonomy, the Socialists hope to make the Convergence and Union more responsible for its actions and so erode it politically.

The Convergence and Union party has a firm hold on Catalonia, but the party does not control the town hall of Barcelona, the region's capital, which is run by the Socialists. Convergence and Union retained its 18 seats in the national parliament in the 1989 general elections, making it the third strongest political force in Spain after the Socialists and the Popular Party, the main conservative party.

However, Mr. Pujol, who in April victoriously celebrated 10 years as president of the Generalitat and for whom the Catalan stage is too small, has seen his hold slip in recent months. In the words of Mr. Sole Tura, Mr. Pujol is no longer "untouchable."

First, Mr. Pujol sited a planned industrial waste project in Catalonia in a dictatorial manner, discussing it with no one. Convergence and Union mayors and supporters protested and for the first time did not fall into line when Mr. Pujol appealed to them personally to accept his decision. The issue is now being debated in the Generalitat.

Similarly, the plan for the Busch Entertainment Corp. to build an 80 billion peseta ($747 million) amusement park near the provincial capital of Tarragona has blown up in his face.

The future of the 2,000-acre (808-hectare) park hangs in the balance because the land lies in two adjacent municipalities, one of which is refusing to go through with the Generalitat's deal to change the municipal boundaries so that the site comes under one jurisdiction and not two, as Busch is demanding.

The Salou municipality, controlled by the Convergence and Union party, has appealed to the supreme court to overturn the Generalitat's plan. According to Mr. Sole Tura, more land than is needed for the park has been expropriated and land speculation is rife.

Adding salt to Mr. Pujol's wounds, his longstanding and most trusted aide, Lluis Prenafeta, secretary-general of the presidency of the Generalitat for the past 10 years, will resign at the end of May.

Mr. Prenafeta, who has wielded immense influence in Catalonia, is under investigation for alleged conflict-of-interest involving his post and his private business interests. From the presidency, whose budget is more than that of the tourism, economy and industry departments of the Generalitat combined, Mr. Prenafeta was the power behind the throne.

Opposition leaders have called the presidency the "propaganda arm" of the Generalitat as it is responsible for the region's Catalan-language TV station, which gives constant coverage to Mr. Pujol.

At the same time, the visit to Catalonia in April by the heir to the Spanish throne, Prince Felipe, carefully orchestrated by Mr. Prenafeta, has helped to cement the more constructive relations between the Generalitat and Madrid and heal old wounds with the Borbon monarchy.

Symbolically, Prince Felipe spoke in Catalan at all his official functions, the first Spanish monarch to do so for several centuries. More significantly, he used the word "nationality" when talking about Catalonia, which his father, King Juan Carlos I, has not used. This is the description of Catalonia used in the constitution, but which Madrid politicians have played down.

On the left, the United Socialist Party of Catalonia, a Communist grouping, dissolved itself in April and formed the non-Marxist Initiative for Catalonia, whose aim is to reconcile left-wing socialism and Catalan regionalism.

THE U.S. & EUROPE:

CONFLICT, COOPERATION OR CRISIS?

INTERNATIONAL HERALD TRIBUNE

EUROPEAN COUNCIL OF AMERICAN CHAMBERS OF COMMERCE

PARIS, JUNE 13 – 15, 1990

JUNE 13

20.00 DINNER
Guest Speaker: **Michel Rocard**, Prime Minister of France

JUNE 14

09.00 CHAIRMEN'S OPENING REMARKS
John F Crawford, President, European Council of American Chambers of Commerce
Lee W Huebner, Publisher, International Herald Tribune

09.15 U.S. KEYNOTE ADDRESS
Roger Porter, Special Assistant to the President for Economic & Domestic Affairs, Washington DC

10.00 U.S.-EUROPEAN TRADE RELATIONS: THE OPPORTUNITY FOR EXPANSION
Edith Cresson, Minister of European Affairs, France
Ambassador Thomas M Niles, U.S. Representative to the EC

11.00 Coffee

11.30 THE U.S. AND EUROPE: AN INDUSTRY RESPONSE
Percy Barnevik, President & Chief Executive Officer, Asea Brown Boveri Ltd
Henri Martre, Chairman & Chief Executive Officer, Aerospatiale
David E McKinney, Chief Executive Officer, IBM World Trade Europe/Middle East/Africa Corporation

13.00 Lunch
EUROPEAN SECURITY AND DEFENSE
Jacques Chaban-Delmas, Mayor of Bordeaux, Former Prime Minister, France

15.00 EUROPEAN ECONOMIC AND MONETARY UNION
Jacques de Larosière, Governor, Banque de France
The Rt Hon Sir Michael Palliser, Chairman, Samuel Montagu & Co Ltd
Mario Conde, Chairman, Banco Espanol de Credito

16.45 TRADE AND INVESTMENT FLOWS: WHERE ARE THEY GOING?
Robert D Hormats, Vice Chairman, Goldman, Sachs Int'l
H Onno Ruding, Former Finance Minister, The Netherlands

18.00 Cocktails

JUNE 15

09.00 THE U.S., EASTERN EUROPE AND THE SINGLE MARKET
Vaclav Klaus, Minister of Finance, Czechoslovakia
Hans Tietmeyer, Member of the Board, Deutsche Bundesbank
George Soros, President, Soros Fund Management
Otto Wolff von Amerongen, Chairman, Deutsche Industrie und Handelstag

11.00 Coffee

11.30 STRATEGIES FOR THE NEW SOCIAL EUROPE
Gavin H Laird, General Secretary, Amalgamated Engineering Union, UK
Vasso Papandreou, Commissioner for Industrial Relations and Social Affairs, EC
François Perigot, President, Conseil National du Patronat Français

12.45 Lunch
EC-U.S. 1992: THE WAY AHEAD
The Rt Hon Sir Geoffrey Howe, MP, Deputy Prime Minister, UK

14.45 THE OUTLOOK FOR TRADE RELATIONS AND INDUSTRIAL COOPERATION
Renato Ruggiero, Minister for Foreign Trade, Italy

15.15 THE OUTLOOK FOR INDUSTRIAL COOPERATION: A CORPORATE PERSPECTIVE
Vittorio Cassoni, Group Managing Director, Ing C Olivetti SpA
Chief Executive Officer, Major U.S. Corporation

16.15 A JAPANESE VIEW OF U.S.-EUROPEAN RELATIONS
Hisashi Owada, Deputy Minister for Foreign Affairs, Japan

16.45 VALEDICTORY REMARKS
The Rt Hon Dr David Owen, MP, Leader, SDP, UK

17.15 Close of Conference

Moderators:
Harry L Freeman, President, The Freeman Company, Washington DC
Axel Krause, Corporate Editor, International Herald Tribune
Charles McC Mathias Jr, Former U.S. Senator
William Pfaff, Author and International Herald Tribune Syndicated Columnist
Ambassador Edward Streator, President, American Chamber of Commerce (UK)

The conference has been organized with the participation of the Dwight D. Eisenhower Centennial Foundation.

REGISTRATION INFORMATION: The fee for the conference is US$1,200.00. This includes the opening dinner, all lunches, cocktails and conference documentation. Fees are payable in advance and will be returned *less a US$ 100.00 administration charge* for any cancellation received in writing on or before May 30. We regret that there can be no refund should you cancel after May 30. Substitutions can be made at any time. Simultaneous English/French French/English translation will be available throughout the conference.

CONFERENCE LOCATION: The conference will be held at the Hotel Inter-Continental, 3 rue de Castiglione, 75001 Paris, France.

HOTEL ACCOMMODATION: A limited number of rooms are available at preferential *rates at Le Grand* Hotel, 2 Rue Scribe, 75009 Paris, France. Please contact Martine Tournier on: (33 1) 40 07 32 32 or fax: (33 1) 42 66 12 51.

REGISTRATION FORM: To register, please complete and return this form to: Jane Blackmore, Conference Office, International Herald Tribune, 63 Long Acre, London WC2E 9JH, England. Tel: (44 71) 379 4302. Fax: (44 71) 836 0717.

Conference fee US$1,200.00. (Payable in any convertible currency.)

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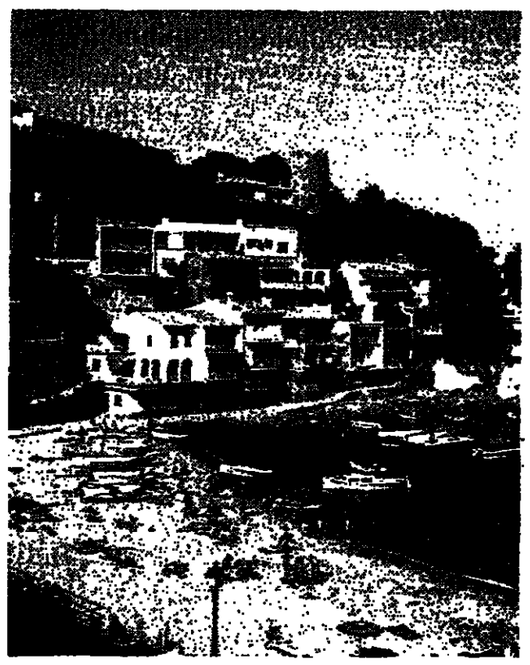


Catalunya

Consorcio de Promoción Turística
Catalonia Tourism Board

La Bolsa Expands Its Data Services To Boost Trading

By Tom Burns

BARCELONA — Barcelona's stock exchange has a tradition behind it that rivals that of any in the world. Its members trace their ancestry back to the Corredors de Llevant e de Llotja (Levantine and commodity agents) who struck deals on the harbor quayside during the city's Mediterranean expansion during the 13th century and drew up a set of rules controlling their activities in 1251.

The BSE'S trading floor is a magnificent gothic hall that was built as the Llotja del Mar (Maritime Exchange) in 1382. Midway through last century an association of stockbrokers moved back into the building and began to offer quotations of the railway companies and the industrial enterprises that were then projecting Catalonia into a new era of expansion.

Unfortunately, the grandeur of the stock exchange's tradition and surroundings is not matched by frenzied activity. Barcelona rivals Madrid in many areas of public affairs but dealing in securities is not one of them. The trading volume at the old Llotja is around one-fifth of what it is on the floor of Madrid's exchange.

Carmelo Lacaci, a partner of the broking company Banesto Lombardia y Lacaci and a deputy chairman of the stock exchange, argues that small can be beautiful and that, as if making a virtue out of necessity, Barcelona tries harder.

"Barcelona has made a huge effort to be more agile and more efficient," says Mr. Lacaci. "Routing and settlement looks better at the BSE than in Madrid."

The view is shared by Pedro Viñolas, a BSE stock exchange financial analyst, who argues that there is an especially high degree of motivation on the Llotja floor. All too aware of its low liquidity, the Barcelona exchange is determined, says Mr. Viñolas, to compensate for such shortcomings by providing "more and more services".

The sole brief of one of the exchange's two deputy director generals is to study and plan for new markets and services that could be adapted to Barcelona. "There is a desire to go for anything that will bring in business," says Mr. Viñolas. "New techniques and new training methods are constantly under review."

One source of the exchange's pride concerns the considerable resources it has allocated toward building advanced technology into its data processing center, the Centro de Cálculo de Bolsa. Another is the manner in which it has helped develop an on-line economic and stock market information service called Databolsa.

Housed along with the data processing division, in the exchange's central services building on Via Layetana, close to the harbor and the Llotja del Mar, Databolsa is held in high regard by major market players with a large back offices such as Banesto Lombardia y Lacaci.

Impressed by the development of the stock exchange's services, Mr. Lacaci says that his broking firm, which is a member of both the Madrid and the Barcelona stock exchanges, will be shifting an as yet unspecified part of the company's business from Madrid to Barcelona in the course of this year.

It had been hoped that a major overhaul of the Spanish stock markets in July last year, which included the introduction of an electronic trading system linking the Madrid, Barcelona, Bilbao and Valencia exchanges, would prompt a wider business volume on the smaller bolsas. But in the event the weighting toward Madrid has remained largely unchanged and the limpness that currently characterizes the trading floor in the Spanish capital is, if anything, felt more deeply in Barcelona.

There is disappointment, too, over the obstinate refusal of the Barcelona stock exchange's secondary market to take off. This is in itself surprising for Catalonia, with its diversified, small company industrial texture, would seem the ideal place for such a market.

Fewer than 30 companies are listed on the secondary market and its activities border on utter lethargy; the trading volume is extremely narrow and seldom are more than six companies quoted a day. Mr. Viñolas believes that it is an "uphill task" to convince Catalan ventures that they should seek funds in the Llontja del Mar.

It is partly because of such disheartening results after so much effort has been put into the Barcelona exchange that great store has been set by the Barcelona-based Spanish Financial Futures Market. This was formally launched with the backing of the Barcelona exchange and of 16 major Spanish banks and savings banks last March.

The first of such operations to open in Spain, the futures market appears to be finding its feet dealing with 90-day public debt "repos" and medium-term public bonds. "There are an average of 250 contracts a day," says Juan Antonio Ketterer, an analyst at the futures market. "Already we have shown that we are not creating artificial volatility and we are hoping that there will be serious business in September."

"I think the stock exchange shift to Madrid is irreversible but the derived financial instruments market will stay here in Barcelona," says Mr. Ketterer.

TOM BURNS is a financial journalist based in Madrid.

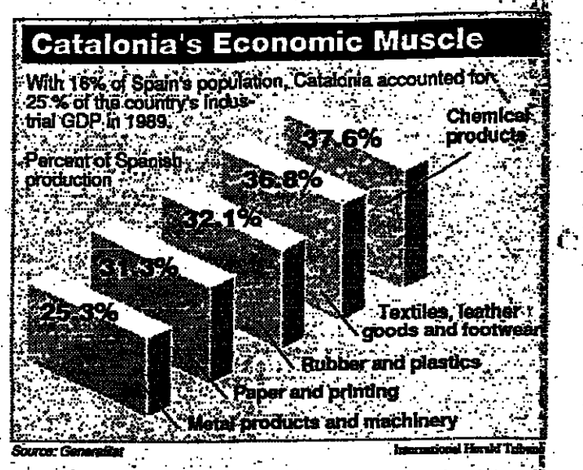
Salvador Sanuas/La Vanguardia

Trading on the floor of the Barcelona Stock Exchange.

Industry Buoys Economy

Sector's Diverse Base Lures Foreign Investors

By Will Goodhart



BARCELONA — About a third of Catalonia's total land area is under cultivation, producing cereals, olives, wines and market-garden produce. But Catalonia, despite the historical, and continuing, strength of its agricultural sector, is predominantly an industrial region with the majority of its industrial zones centered on the city and province of Barcelona, and the coastal strip down to Tarragona.

Seat, the Volkswagen-owned Spanish automobile manufacturer, and Motor Iberica have large production plants in the region. In the last year car production rose above 475,000 units. Construction companies also play a major role in the Catalan economy, which grew 5.2 percent in the last year, with both Focsa and Cubiertas MZOV, the company that recently fought off a bid from Ferrovial, based in the region.

Chemical companies are particularly well-represented. Erkros, the agrochemical company formed by the merger of Cros and ERT, leads the list of manufacturers in the region. Hoechst, Henkel, Ciba-Geigy, Sandoz, Bayer and Montefibre are among the multinationals that also have major operations. Nestlé and Danone constitute the multinational interests in the alimentary sector.

The attraction of Catalonia for foreign companies meant that in 1989 direct foreign investment in the region rose to just under $3 billion, an increase of 52 percent over the previous year, and 25 percent of the total direct foreign investment in Spain in the year.

Another trend in the region, aside from continuing foreign investment, is the interest among Catalan companies in mergers. Two of Catalonia's largest food concerns, Ebro and Compañía de Industrias Agrícolas, are in the process of merging, as are La Caixa and the Caja de Pensiones, Catalonia's leading savings banks.

The merger of two of Spain's leading sugar producers, Ebro and CIA, was precipitated by the fact that in 1992 the favorable treatment meted out to the country's sugar producers will end. Currently, they enjoy an intervention price some 16 percent above the EC's average. A merged company is regarded as being more capable of weathering the ensuing difficulties, as well as attaining the critical mass necessary to compete successfully in the single market.

THE development of the Supercaixa, following the merger of La Caixa and the Caja de Pensiones, has also been undertaken with one eye firmly fixed on 1992. The Supercaixa will rank as the third largest savings bank in Europe following the merger. But without a doubt the main impetus for the deal is the fiscal benefits that the new institution will receive. They have requested benefits amounting to 100 billion pesetas ($970 million) and are likely to receive around 90 billion pesetas. The merger will also mean that the Supercaixa will control 70 percent of the Catalan savings bank market.

Also in the news is the proposed merger of Aguas de Barcelona and Catalan de Gas, encouraged in large part by the two parties that will make up the Supercaixa, the leading shareholders in the two utility companies.

Apart from the obvious synergies of the two service companies — notably reduced costs from a combined service operation — the companies anticipate significant economies of scale. They are also hoping to operate far more outside of Spain than they have to date. But the Madrid government may throw cold water on the project by insisting that Repsol, the state energy group, be involved.

Catalan companies need to make more of an effort to promote external operations. The region suffers from a severe trade deficit. Catalonia's exports rose by 7.5 percent in 1989, to $11 billion, but imports rose by 9 percent to $24 billion, and that despite foreign investment of $2.9 billion.

But Catalonia has less reason to fear 1992 than many of Spain's other regions. It has a major European port at Barcelona and an increasingly diverse industrial base.

There is another important date on the horizon for the region, the year 2000. In March the Strategic Plan for Barcelona 2000 was launched.

That plan is targeted at ensuring the city's continuing economic potential at the end of the century, as well as examining the social development of the province. The plan looked at the possibility of improving the quality of life in the city, and also of strengthening the service industries in order to maintain a healthy level of industrial development, but its most interesting aspect is the proposal to create a macroregion.

The macroregion would stretch from Valencia, to the south of Barcelona, up to the south of France to Toulouse and Montpellier. A network of transport and communication links is envisaged as part of this project aimed at promoting Barcelona as a major Eurocity of the 21st century.

WILL GOODHART is a financial journalist based in Madrid.

Silicon Valles Woos High-Tech

BARCELONA — The regional government of Catalonia has launched its bid to attract high-technology investment to the area with the Valles Technological Park just outside of Barcelona.

The park, situated in a forested area just 12 miles (20 kilometers) east of the Catalan capital, is aimed at companies in the sectors of microelectronics, data processing, telecommunications, advanced automation, laser technology, new materials (plastics, metals and ceramics), biotechnology, and fine chemistry.

Some 20 multinationals have set up operations at Valles since it opened in 1987, including Hewlett Packard, Sharp, Pharmacia, Asea, Kao Corporation, Sanyo, Olivetti, and Bull.

Valles Technological Park offers a series of advantages to high-tech companies. First, it is well connected to Barcelona by road (25 minutes away by Barcelona's ring motorway, the B-30) and by rail. In addition, the park is close to think tanks such as the Autonomous University of Barcelona, the National Microelectronics Center, the Test and Research Laboratory, run by the Catalan government, and the Spanish Science Research Council's New Materials Center. And finally, it offers a ready-made development infrastructure for companies wanting to build their own facilities on the 42 acres (17 hectares) of land that have been made available in the first phase of the park's development.

The Catalan government has plans to expand the industrial building sites in Valles to triple the original amount, which would make the park the largest in Spain and one of the largest in Europe.

Smaller firms locating at Valles have another option: to rent, lease, or buy a module in one of the five industrial buildings that are planned for the lower part of the park. Those looking for smaller scale facilities, 15 to 150 square meters, can set up operations at the Center for New Technology Companies.

The 5,000-square-meter building offers small modules and a wide range of business management support services, including applied management training by Barcelona's prestigious ESADE business school, specialized assessment in legal, fiscal, technological, marketing and financial matters, and business services such as secretarial support, mail, telefax, and telex for smaller firms.

The biggest investors at Valles so far are Olivetti, which has spent $12.8 million on a research and development center aimed at designing professional computerized work stations, and the Spanish telephone monopoly Telefónica, which has invested $19 million in a center involved in advanced applications of digital telephone technology. Other participants include Alcatel Standard, which has set up a center for research into intelligent networks and digital and telematic cellular mobile radio, and McDonnell Douglas, which is working on specific applications of CAD/CAM/CAE (computer-aided design, manufacturing and engineering) at its Valles center.

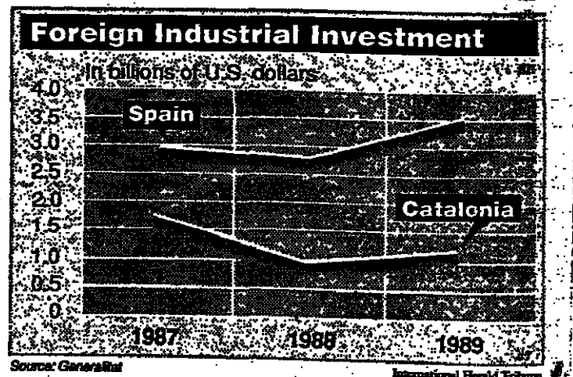
Gayle Allard

The Single Market Challenge

Continued from page 11

tion, which expanded by more than 17 percent in 1988 for the second straight year. Both have been fed by the burst of infrastructure activity in preparation for the 1992 Olympic Games, which will funnel $1.085 billion into highway projects, $695 million into housing and facilities for the Games, and at least $238 million into the Barcelona airport. Added to this is the high-speed Madrid-Barcelona rail link, scheduled for completion by 1996, which will mean another $3.8 billion. The spending should keep both the construction and cement industries busy until well into the 1990s.

The sector lagging seriously behind in Catalan industry is textiles, a pioneer in Spain's industrial revolution and traditionally a pillar of the regional economy. Although leading firms such as Levi Strauss de España, Hilaturas Fabra y Coats (where Britain's Coats Viyella holds an interest), La Seda de Barcelona, and Creaciones Remi have attempted to meet the sales slump that began in 1987 by cutting back personnel and modernizing equipment and production processes, sales and profit figures have not been encouraging. To make things worse, prices for raw materials such as cotton and polyester shot up last year. The result has been a fall of more than 5 percent in textile exports and a sharp rise in imports of more than 30 percent. Other traditional industries such as leather, shoemaking and mining are also in decline.



The challenge for Catalan businesses is: Will they be able to compete in the single market after 1992 without support or outright purchase by multinationals?

The answer is not clear. So far, many firms have responded admirably to the first three hurdles: the need to trim personnel costs, restructure finances, and make the technological adjustments necessary to face a more competitive market. Many others have sold out to foreigners on the way.

Now, the challenge is to successfully market a brand, an image, a design and a reputation in order to survive in the larger European market.

One Catalan firm that has met the challenge is Codorniu champagne, which has taken the U.S. market by storm and currently places about 33 percent of its exports in American stores. Codorniu has signed agreements with a number of European distributors and is quickly gaining ground in France, Italy, and West Germany, where its market share (under the Rondel brand name) is nearly 40 percent.

A spectacular failure has been the textile sector, which has been unable to pull out of its slump and compete with EC rivals.

Still, Catalonia in the Spanish context wins high marks. It is the Spanish region that has responded most quickly to the European challenge and that has taken the boldest steps toward launching its industries into foreign markets rather than waiting for the foreigners to come and buy.

GAYLE ALLARD is a financial journalist based in Madrid.

CATALONIA
THE BRIGHT WAY

Catalonia is an autonomous region where the most important thing is a job well done. We are proud of always extending a warm and polite welcome to visitors, while in the meantime we design new technology and trace out the brightest paths in architecture, the arts and science.

That is why Catalonia is Europe's leading tourist area, while at the same time being one of Europe's major industrial regions.

As Mediterraneans, Catalans always look on the bright side of things, while as Europeans we strive for higher achievements.

It is not suprising, then, that Barcelona, our capital city, will be host to the 1992 Olympic Games. Nor that a region as bright as 1000 ours is this year celebrating 1000 years of history, of progress in common. A period of 1000 years from which to look forward to the future.

So the next time you plan to do bright business or relax on a bright beach or acquaint yourself with a bright European way, don't hesitate. Come and see us. We are the bright way.

AUTONOMOUS GOVERNMENT OF CATALONIA
GENERALITAT DE CATALUNYA

Photographs by Christopher Moore

Donna Karan (right) and her all-woman sportswear: body-skimming dress (left), alpaca jacket with cowl hood over bodysuit, and cuddlecoat.

Sensible, Sensuous Karan Hits Europe

SUZY MENKES

International Herald Tribune

LONDON — Donna Karan designs from a woman's point of view, and it has made her the hottest fashion property in New York. Retailers in the United States see in her a fashion phenomenon for the 1990s whose sales appeal can save stores from bankruptcy. The explosive success of her sensible, sensual clothes has built her in five short years a business worth $150 million a year.

She is in London to open an in-store boutique, the first prong of a European expansion. She has also been called by the newly slender Duchess of York, who believes in her approach to fashion. That can be summed up in Karan's words as "ease, comfort and glamour."

"Both Diana and Fergie would look wonderful in my clothes," she says with that conviction and energy that moves mountains of garments off the racks each time she makes a personal appearance.

Karan's claim to fashion fame rests on "The Body," a blouse or sweater molded to the figure, snapped shut at the crotch to give a smooth line. Over it goes a wrap skirt, a soft jacket, pants or other permutations of separates. The Body is at the same time thoroughly modern active-wear (based on the dance leotard) and an updated corset. Recently it has evolved into a "unitard," an all-in-one bodysuit that reinforces Karan's view that "women come alive in movement."

"I watched my mother wriggle into her corset, and I do the same with Lycra," she says. "All women feel insecure about clothes. All women have hips. I design from the inside out, creating comfortable clothes over a strong foundation. Clothes are not a fashion statement; they are comfortable, easy things that feel good."

This unequivocal message is balm to women who do not wish to be pummeled into a designer's image or to lose their female identity under the straight lines of a mannish suit.

The padded shoulders of power dressing made the silhouette of the 1980s when Karan came up with her first own-label collection in 1985. Before that, she had worked for 14 years for the Anne Klein company, redefining thoroughbred American sportswear. For her own line, she kept to those fundamentals but drew the clothes on a curve, using luxurious, lightweight fabrics and starting always from a simple premise: "What shall I wear today? What do I need in my wardrobe?"

Karan is on a roll because her philosophy, and even her personal identity, strikes a chord with other women in the 1990s. Her high-profile clients include Liza Minnelli, Barbara Walters and Candice Bergen. Yet she herself is endearingly unglamorous as she juggles a demanding job and a family, and lets the strain hang out. A company advertising campaign showed a woman with baby, Filofax and newspaper on the way to work — and then sinking back home at night into domesticity and an unmade bed.

"Women have a tendency to understand women," says Karan. "Sometimes it can get too personal, but that depends on creativity. You have to be able to sense the future. I believe that my clothes have been an education to women. The closest designer to me in style is Alaïa, but his are 'hot' clothes, and mine are more womanly."

In the United States, Karan is compared to Chanel, who was the first designer to see the potential in a man's wardrobe for modern woman. Karan herself admires Armani and says that she will not design a projected men's collection "if I can't do it better than Giorgio." Her husband, the sculptor Stephan Weiss, dresses in Armani while Karan wears exclusively her own designs.

"Other people's clothes don't fit me," she says. "When I put on these clothes they are mine, they are like custom-made clothes. Anyway, I don't have time to shop!"

Donna Karan gew up in Woodmere, Long Island, and in the fashion business. Her mother was a model on Seventh Avenue; her father was in the garment business. Her loyal and longtime friend and assistant, Patti Cohen, pulls out a photograph of Donna's parents, she in taupe suit and he with neat suit and neater mustache. Karan says that she feels her mother's outfit "was in my last collection."

She finagled her first job selling clothes at age 14, went on to Parsons School of Design and to be hired, fired and rehired by Anne Klein. On the founder's death, of cancer, in 1974, Karan (26 and a very new mother) became co-designer with Louis Dell'Ollio. Ten years later, Tomio Taki, the chairman of Takihyo Inc., backer of Anne Klein, backed her. Karan's business has reaped rich rewards. She has also won many fashion awards, including three Cotys.

Now 41, she has a 16-year-old daughter, Gabrielle, from her first marriage. She also has a stepson and stepdaughter; the latter is working with her at DKNY (Donna Karan New York), the lower-priced line, which was set up in 1988. It is the reason for the recent phenomenal sales in stores.

"I have a feeling that women are questioning the price of designer clothes and asking themselves, 'How much is too expensive?' " she says. "I am told that European designer names are sticking. I try to mix price points, so that the same top comes in both merino wool and jersey."

That sounds very pragmatic. Yet Karan's image is based on the use of luxury fabrics — this last season it was feathery alpaca, and there is always cashmere. Making simple shapes — tunic tops, throws and wrap skirts — in these sensual fabrics is the American way of designer dressing, and it should have international appeal.

Karan is one of several American designers who are looking to expand in Europe. Calvin Klein recently launched his Eternity fragrance in London with a personal appearance. Carolina Herrera gave a lunch at the Paris Ritz last week as a warm-up for her perfume splash. Yet designers who are household names or even superstars in the United States are often known only to a small circle of fashion cognoscenti in Europe. Traditional American sportswear at designer prices does not seem to travel.

Will Karan's clothes work for Europe, where women in France are used to a sharper, narrower cut, where the Italians have a superior make and finish, where the British balk at spending money and where the Germans already have homegrown women designers in Jil Sander and Margaretha Ley of Escada?

Karan has opened an office in Italy, where her shoes and bags are made and where her fabrics come from.

The first major European showcase for her is in Harvey Nichols in Knightsbridge, London, which is considered more fashion-aware than Harrods down the road. If the designer were permanently posted on the store floor, her Funny-Girl personality and compassionate, enthusiastic patter would sell the clothes off her own back. As it is, the clothes hang limp, in watery grays and pebble beiges.

Karan herself is wearing a sand crepe dress, a cardigan jacket with a leaf-patterned voile scarf ("my security blanket") wrapped across the body. The dress was designed, she says, because she suddenly thought, "My God! I need a dress, something that glides over the body." A familiar refrain is that "women have hips; I have hips; I am a size 12." She is at war with herself over the desire "to be on a diet, yet eat Chinese food," and over part of her "wanting to retire" and the other to design a men's collection.

In the United States, much more than in Europe, there is a conflict between the sexist and the feminist in dress. Karan's achievement, with her bodysuits, snuggle-up coats and luxuriant cowl hoods, is to combine the two. As she puts it:

"I like the male and female in clothes. For me it's the perfect marriage."

STYLE MAKERS

Suit Salesmen

SEEKING EX-BROKERS

NEW YORK — The relationship between a man and his suit salesman is one of unsuspected depths.

Who else will stop you from buying a pink sport jacket when you're in a racy mood?

It is also one of increasing importance to retailers as the prices of men's tailored clothing go higher and higher.

With the menswear business heating up in New York, industry executives are concerned about a shortage of qualified, experienced salespeople.

Bergdorf Goodman and Ermenegildo Zegna are to open luxury menswear stores in the next few months on Fifth Avenue between 57th and 58th Streets.

Alfred Dunhill recently combined its two uptown shops into one large store at the corner of Park Avenue and 57th Street. Saks Fifth Avenue recently expanded its men's departments.

At Bergdorf's, Zegna and Dunhill, men's suit prices start at $650, but the meat of the collections is above $1,000, a level that demands salesmanship and expertise.

"It's a problem we've been working on a long time," said Marita O'Dea, the senior vice president for human resources at Bergdorf's, which will need 120 to 130 salesmen to staff the new men's store.

Bergdorf's has been stockpiling résumés for more than a year, she said, as well as trying to recruit qualified people in New Jersey, Long Island and Philadelphia.

But they are also using a novel approach. Bergdorf's recently ran employment advertisements aimed at displaced or dissatisfied Wall Street workers.

A recent newspaper ad said, "From brokering to banking, if you've a proven track record in sales, the new Bergdorf Goodman men's store offers a career opportunity."

It invited applicants to "ply their sales skills in the world of elegance rather than finance."

Ex-stockbrokers and other "masters of the universe" will receive a four-week training course in service, managing a client base and menswear at Bergdorf's.

"With the problems on Wall Street, the slowdown in that industry, we feel there's an opportunity to attract some interesting talent," O'Dea said, adding that potential earnings at Bergdorf's for salesmen will be in the six-figure range.

ANNUAL income of more than $100,000 is not unusual for a salesman of men's tailored clothing in New York with a following.

For example, several salesmen at Paul Stuart, the retailer on Madison Avenue at 45th Street, make more than $100,000 a year, according to Clifford Grodd, the store's chairman.

"But don't forget we've got guys who go back to the 1950s," Grodd said.

So far Bergdorf's has filled 50 of the available positions. Down the block at Zegna, which is opening a much smaller store, the company has filled all 12 sales positions with relative newcomers to menswear.

"Frankly, it wasn't worth it to raid other stores or go looking for experienced people," said Richard Cohen, the president of Zegna USA. "We hired young people, and we're giving them a six-week training course."

Dunhill has experienced no hiring problems, although it has run into a union dispute, since it merged the staffs of two of its stores.

"I'd say tailored clothing is one of the two toughest things to sell," said Richard Dunhill, the chairman of Alfred Dunhill, who said the other was precious jewelry.

"A salesman can fake it, but in our price range you're discovered pretty quick, if not by management, then by the customer."

New York Times Service

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ACROSS

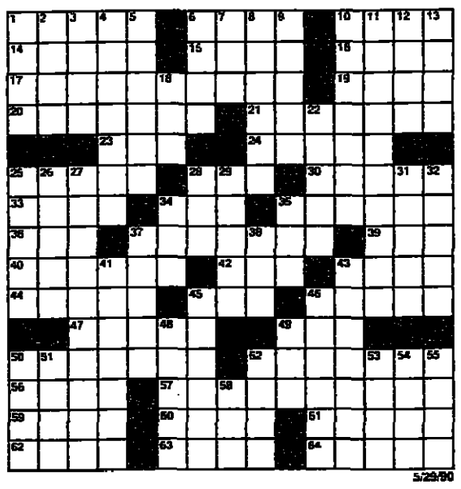
1 Montmartre's locale
6 Retained
10 Take a —— at (try)
14 Historic site in San Antonio
15 She in Cherbourg
16 Cougar
17 Stealthy break-in artist
19 " —— go bragh"
20 Basketball plays
21 Did a bloodhound's job
23 Busy one
24 Like a Poe tale
25 Places for earrings
28 "—— Miserables"
30 More jovial
33 Blame
34 Dash's partner
35 Like dog-day weather
36 A neighbor of Md.
37 Battlefield shelter
39 Genetic IIIrs
40 Pertaining to the French
42 Gelid
43 Bump off, rub out
44 Puckish
45 Feign
46 —— noires
47 Muslim religious leaders
49 Pen sound
50 "Semper——," Marine Corps motto
52 Actress Dee et al
56 Icelandic collection of myths
57 Tuxedo, slangily
59 Hawthorne's "Twice- —— Tales"
60 Sea eagle
61 Sicilian erupter
62 Aweather's opposite
63 Goulash, e.g.
64 Spiteful

DOWN

1 S.A. rodent
2 "——! poor Yorick"
3 Nuts: phooey
4 Takes a drink
5 They take too many drinks
6 Where bungs are found
7 Building extension
8 Car necessities
9 —— Haute, Ind.
10 Blue-plate ——
11 Old-time dance
12 François's female friend
13 Hat or head follower
18 Road-map abbr.
22 Debate
25 Hunter's habitation
26 "Paper Moon" Oscar winner
27 Double bass, informally
28 Bagel topper
29 Body of moral precepts
31 Bert's "Sesame Street" pal
32 "—— Daughter," 1970 film
34 "What's up,——?"
35 Crafty
37 Student's last hurdle
38 Fall mo.
41 Summer cooler
43 —— Scrolls
45 Classify
46 Indian fig tree
48 Marcel Marceau et al
49 Fannie or Ginnie follower
50 Greek cheese
51 Adored one
52 Distort
53 Country-road features
54 "—— Misbehavin' "
55 Match the poker bet
58 Dir. of Boston from Providence

Solution to Previous Puzzle

T	A	M	P	S		E	B	B	S		K	E	L	P
A	L	E	U	T		T	A	R	T		E	R	I	E
C	O	W	C	A	T	C	H	E	R		N	E	S	T
T	E	L	E	G	A		T	R	I	C	Y	C	L	E
			S	I	G			P	R	A	T	E	S	
M	A	L	T		P	L	E	A	S	E				
O	S	A	R		E	A	R	S		T	A	L	E	S
T	H	R	O	W	I	N	G	T	H	E	B	U	L	L
H	E	D	D	A		D	O	R	A		E	R	S	E
			C	U	S	T	O	M		D	E	E	D	
C	H	E	C	K	S			S	I	P				
R	E	L	A	Y	E	R	S		T	E	S	T	A	E
O	R	A	N		F	A	T	T	E	D	C	A	L	F
N	O	N	E		U	T	A	H		R	O	U	S	T
E	N	D	S		L	E	N	O		O	T	T	O	S



5/29/90

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Necklaces
beautiful and mysterious,
bracelets of
pearls and coloured gems
tourmaline
aventurine
citrine
garnets and agates
rock crystal
bohemian crystal

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INTERNATIONAL FUNDS

May 28, 1990

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ABN BANK 1.D.88, P.O. Box 449, Amsterdam
(w) ABN-Aandelenfonds FL 78.62
(w) ABN-Beleggingsfds Ned. FL 62.90
(w) Aldollar $ 21.40
(w) Alrenta FL 154.00
(w) America-Fund (I.E) $ 165.77
(w) Asian Tigers Fund S$ 35.24
(w) LDC Risk Inv.fund $ 1044.47
(w) Trans Europe Fund FL 89.94
(w) Trans Europe Fund $ 47.55
AIG FUND MANAGEMENT LTD.
(d) AIG Amer.Eq.Trust $ 25.20
AL-MAL BANK LIMITED.
(w) Investment Units $ 104.45
(w) Currency Units $ 108.28
ALPHA ASSET MANAGEMENT LTD.
(m) Alpha Arbitrage Fund $ 257.90
(m) Alpha Futures Fund Ltd. $ 118.96
(m) Alpha Global Fund $ 600.88
(m) Alpha Hedge Fund $ 317.88
(m) Alpha Pacific Fund Ltd. $ 259.37
(m) Alpha Short Fund Ltd. $ 103.57
(m) Curran-Alpha Hlth Care Fd. $ 247.19
(m) Nicholas-Applegate Hge Fd $ 107.42
(w) Heisei Japan Fund Y 15393.00
(w) Nicholas-Applegate Aurelia. $ 145.09
ARRAL ASSOCIATES LTD
(w) Arral Int'l hedge Fund $ 86.41
(w) Arral Asian fund $ 124.84
BANK JULIUS BAER & CO. Ltd.
(d) Baerbond SF 870.00
(d) Conbar SF 1741.00
(d) Equibaer America $ 1849.00
(d) Equibaer Europe SF 1624.00
(d) Equibaer Pacific SF 1251.00
(d) Stockbar SF 2053.00
(d) SFR-BAER SF 965.00
(d) Swissbar SF 2350.00
BA GATEWAY FUND
(b) Belgium Fixed Income BFr 9.816
(b) Germany Fixed Income DM 98.39
(b) Netherlands Fixed Income FL 99.71
(b) US Dollar Fixed Income US$ 100.72
(b) Japan Equity US$ 79.26
(b) Pacific Equity US$ 96.93
(b) Intl Portfolio 'A' US$ 97.81
(b) Intl Portfolio 'B' ECU 95.59
BAII MULTICURRENCY
(r) Multicurrency US$ $ 1,281.41
(r) Multicurrency Ecu ECU 1,180.70
(r) Multicurrency Yen Y 274,116.00
(r) Multicurrency FFR FF 10,918.91
BNP INTERFUNDS
BNP LUXEMBOURG
(w)INTERBOND FUND. $ 199.56
(w)INTERBELGIAN. FB 59,227
(w)INTERECU FUND 'A' ECU 247.19
(w)INTERECU FUND 'B' ECU 1034.27
INTER CASH
(f)France Securite. FF 12,397.20
(f)France Monetaire. FF 10,653.18
(f)ECU ECU 1,374.49
(f)US$ $ 1,056.80
(f)DM DM 2,108.77
(f)GBP £ 1,043.44
(f)FRF FF 14,438.81
(f)France Capital. FF 11,597.95
INTER OPTIMUM
(w)BEF/LUF FB 71,637.00
(w)Multidevises DM DM 2,004.13
(w)US$ $ 993.14
(w)FRF FF 10,452.06
INTER STRATEGIE
(w)France. FF 11,075.64
(w)Europe du Nord. £ 1,021.88
(w)Europe du Centre. DM 2,331.76
(w)Europe du Sud. ECU 1,108.50
(w)Japon. YEN 140,867.00
(w)Amerique du Nord $ 1,073.48
(w)Sud-Est Asiatique. $ 1,000.20
BNP JERSEY
INTER CURRENCY
(w)US$ $ 11.4947
(w)DM DM 32.1967
(w)GBP £ 11.8929
(w)International Managed. $ 11.3198
INTER EQUITY
(w)French Offer. $ 19.39
(w)Pacific Offer. $ 24.28
(w)North American Offer. $ 12.34
(w)European Class. $ 11.73
(w)Australia Class. $ 9.48
BANQUE BELGE ASSET MGMT FUND
Share Distributor Guernsey 0481 26614
(w) Int'l Equity Fund (Sicav) $ 11.95
(w) Int'l Bond Fund (Sicav) $ 11.08
BANQUE INDOSUEZ
(w) Asian Growth Fund $ 37.15
(w) Asian Income Fund $ 8.85
(m)Dual Futures Fd. Class A Units $ 102.66
(m)Dual Futures Fd. Class B Units $ 102.51
(m)Dual Futures Fd. Class C Units $
(m)Dual Futures Fd. Class D Units $
(w) Diverbond SF 75.70
(w) The Dragon Fund Sicav $
(w) FIF Internat.Switzerland. SF 101.73
(w) FIF-Internat. Div.A $ 19.96
(w) FIF-Internat. Div.B $ 21.00
(w) FIF Internat.America $ 16.74
(w) FIF Internat.Pacific $ 49.69
(w) FIF Internat.Europe $ 34.00
(w) FIF Internat.Japan Y 1,185.00
(w) FIF Intl.S'pore+Malaysia SG$ 10.23
(w) FIF Int. Nat. Res. A $ 12.18
(w) FIF Int. Nat. Res. B $ 12.50
(w) France International FF 98.92
(w) France Blue chips No 1 FF 137,544.56
(m)Galaxy Futures Fd Ltd $ 117.11
(w) Gestion Selective FF 4,714.06
(w) Indosuez Multibonds Div.A $ 130.40
(w) Indosuez Multibonds Div.B $ 290.32
(w) Indosuez Multibonds US$ $ 107.94
(w) Indosuez Multibonds YEN Y 10,173.00
(w) Indosuez Multibonds DM DM 103.48
(w) IPNA-3 $ 1120.00
(w) Malacca Fund $ 17.18
(w) Manila Fund $ 8.37
(w) The Siam Fund $ 29.10
(w) Pacific Gold Fund $ 12.21
BANQUE PRIVEE E. DE ROTHSCHILD
(w) Daiwa Capital E. Fund $ 1002.41
(w) Daiwa LCF Rothschild $ 1068.84
(w) Ecu D'Or ECU 84.25
(w) Hispano Int'l Fund ECU 10.70
(b) Pri-Tech $ 1197.73
(b) Source Sicav $ 11.59
BANQUE E. DE ROTHSCHILD LUX. SA
(b) Cursitor BP Fixed Inc.Fund DM 98.98
(b) Cursitor BP General Fund DM 127.62
(b) Eagle Fund LF 9116.00
(d) Europe Japan Fund $ 10.34
(b) Governm. Sec. Fund* $ 68.92
(w) Leicom $ 2792.82
(b) Opportunities Fund $ 933.65
(b) Prifirst $ 587.12
(b) Priroo fund DM 51.46
(w) Rente Plus BF 5704.00
(f) Select. Horizon Dev. FF 55559.31
(f) Select. Horizon FF FF 59823.48
(b) Star Conv.Fund FL FL 6593.00
(b) Star Conv.Fund USD $ 100.11
BANQUE SCANDINAVE EN SUISSE-GENEVA
(w) Interbond Chf. SF 69.21
(w) Intelsec Chf. SF 1702.32
(w) BSS Int'l Bond $ 1.13
(w) BSS Int'l Equity $ 2.235
BROADGATE INTERNATIONAL FUND
(d) $ Money Market $ 13.26
(d) Non-$ Money Market DM 32.11
(d) $ Bond $ 13.60
(d) Non-$ Bond DM 30.33
(d) European Equities $ 10.28
(d) Global Equity $ 18.38
(d) Global Bond $ 13.97
(d) Global Bond & Equity $ 15.17
(d) Pacific Equities $ 10.15
(d) Prec. Mets/Min. Secs $ 6.37
B.W MANAGED ASSETS CY. SICAV
(f) Global Bond Fund ECU 10.24
(f) European Securities Fund. ECU 14.33
(f) French Securities Fund FF 141.23
(f) North American Secu.Fund. $ 12.71
(f) Pacific Basin Secu. Fund $ 9.10
CAISSE CENTRALE DES BANQUES POP.
(d) Fructilux Obl. Fses FF 6014.15
(d) Fructilux-Obl.Euro ECU 1,113.75
(w) Fructilux-Act.Fses FF 8,187.41
(w) Fructilux-Act.Euro ECU 1,362.99
(d) Fructilux court terme FF 6,125.79
CALLANDER
(w) Callander Emer. Gr. $ 118.86
(w) Callander F-Asset $ 99.50
(w) Callander F-Austria AS 1,587.64
(w) Callander F-Spanish. Ptas 9,493
(w) Callander Swiss Gr. SF 152.44
CAPITAL INTERNATIONAL
(w) Capital Int'l Fund $ 94.57
(w) Capital Italia SA $ 41.98
CCF - GAMMA
(w) CM Actibonds $ 35.14
(w) CM Global Growth $ 11.01
(w) Elysees Court Terme FF 61,328.64
(w) Elysees Long Terme FF 56,363.07
(w) Elysees Monetaire FF 63,730.16
(w) EMF Sterlings (A & B) £ 537.45
(w) EMF Dutch Gulden (A&B) FL 1020.54
(w) EMF D-Mark (A&B) DM 995.75
(w) EMF Ecu (A & B) ECU 1,060.25
(w) EMF US Dollar (A & B) $ 1,100.32
(w) EMF Yen (A & B) YEN 100,331.00
(d) Europe Prestige Fund A ECU 10.78
(d) Europe Prestige Fund B ECU 12.67
(d) European Smir Cos. Fd.A ECU 14.86
(w) Euro. Smir Comp.Fd.B ECU 14.96
CDC INTERNATIONAL
(w) CFI Court Terme FF 125,190.32
(w) CFI Long Terme FF 1107,628.32
CIC GROUP
(d) Oblicic Monetaire FF 12132.17
(d) Oblicic Court Terme FF 12260.31
CITICORP INVESTMENT BANK (Lux.)
POB 1373 Luxembourg Tel. 477.95.71
(d) Citicurrencies USD $ 1378.45
(d) Citicurrencies Managed $ 114.69
(d) Citinvest Ecu Income ECU 1355.65
(d) Citinvest Manag. Growth $ 1244.52
(d) CitLMana.Growth Euro. ECU 1080.51
(d) Citinvest Selector $ 928.41
(d) Citinvest Guardian $ $ 1103.39
(d) Citinvest Guard. Euro ECU 1082.95
(d) Citiport N.A Equity $ 158.82
(d) Citiport Jap. Equity Yen 10,216.00
(d) Citiport UK Equity £ 116.51
(d) Citiport S.Asian Eq. $ 137.58
(d) Citiport Cont.Euro. Eq. ECU 156.89
(d) Citiport N.A.S Bond $ 115.25
(d) Citiport Euro Bond ECU 104.79
(d) Citiport AS.Pac.Bd. YEN 10,920.00
CITITRUST
(w) US. $ Equities $ 221.16023
(w) US. $ Bonds $ 12.52341
(w) US. $ Money Market $ 13.27547
(w) Citiland $ 935.06855
(w) Citiperformance Ptf S.A $ 10.29554
(w) Global Equities. $ 9.38000
(w) Global Money Market. $ 12.20000
(w) Global Bonds. $ 11.21000
(w) C.Croissance Fr.Suisse SF 2048.44
COMPASS INTL HOLDINGS Ltd.
POB 455. Jersey 0534 27267
(w) Bond: Dollar Medium Term $ 10.82
(w) Bond: Ecu Multicurrency. ECU 10.13
(w) Equity: United Kingdom £ 9.79
CREDIT SUISSE (ISSUE PRICES)
(d) CSF Bonds SF 74.25
(d) Bond Valor Swf SF 94.60
(d) Bond Valor US-DOLLAR $ 121.29
(d) Bond Valor D-mark DM 100.51
(d) Bond Valor Yen Y 9,935.00
(d) Bond Valor £ Sterling £ 90.43
(d) Convert Valor Swf SF 147.50
(d) Convert Valor US-DOLLR $ 186.04
(d) CSF Internatonal SF 133.25
(d) Actions Suisses SF 623.50
(d) Europa-Valor SF 235.25
(d) Energie-Valor SF 165.25
(d) Canasec SF 544.00
(d) Ussec SF 748.00
(d) Pacific-Valor SF 165.25
(d) CS Eu. Blue Chips A DM 272.69
(d) CS Eu. Blue Chips B DM 272.69
(d) CS Gold Valor $ 142.84
(d) CS Ecu Bond A ECU 96.50
(d) CS Ecu Bond B ECU 119.45
(d) CS Euro Finance Fd.'A' DM
(d) CS Euro Finance Fd 'B' DM
(d) CS Europa Bond 'A' DM 238.67
(d) CS Europa Bond 'B' DM 261.11
(d) CS Gulden Bond A FL 94.10
(d) CS Gulden Bond B FL 110.42
(d) CS Hispano Iberia Fd 'A' PTS 25,620.00
(d) CS Hispano Iberia Fd 'B' PTS 348.82
(d) CS Prime Bond 'A' DM 88.05
(d) CS Prime Bond 'B' DM 99.60
(d) CS Short-T. Bd DM A DM 95.19
(d) CS Short-T. Bd DM B DM 111.90
(d) CS Short-T. Bd $ A $ 99.09
(d) CS Short-T. Bd $ B $ 120.87
(d) CS Money Market Fund $ 1504.92
(d) CS Money Market Fund DM 1294.72
(d) CS Money Market Fund £ 1654.37
(d) CS Money Market Fd Yen Y 120539.00
(d) CS Tiger Fund $ 599.43
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+(d) Concentra DM 51.24
+(d) Int'l Rentenfond DM 70.71
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@(d)Inc.: Bid.. $ 13.73 Offer.. $ 14.275
@(d)Cap.: Bid.. $ 21.43 Offer.. $ 22.278
INTERNATIONAL INCOME FUND
(d) Short Term 'A' (Accum) $ 1.0370
(d) Short Term 'A' (Distr) $ 0.6750
(d) Short Term 'B' (Accum) $ 1.3818
(d) Short Term 'B' (Distr) $ 0.9848
(w) Long Term $ 32.1980
ELDERS EUROPE - Guernsey - (0481) 26268
(m) Elders Eur.Futures Fund $ 9674.11
ELDERS SECURITIES INC.
W. Rafter, (212) 573-0440
(d) EFF $ 320.75
(d) ESI $ 108.75
(d) ESP $ 175.06
(d) EMR $ 104.86
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(w)Elders Int Bid SF 105.25 Offer SF 112.25
(w)Elders Aus Bid A$ 86.75 Offer A$ 92.25
EQUIFLEX LIMITED
(w) Europe A FL 11.87
(w) North America A FL 9.65
(w) UK Equities £ 10.14
(w) UK Small Co. £ 7.76
EURO PACIFIC ADVISERS Ltd.
(w) Meteore Y 124,136.00
(w) Pacific Horizon Invt. Fd $ 2347.07
FOREIGN & COLONIAL MGT. LTD.
1, Laurence Pounty Hill, EC4, 01-623-4680
(w)Amer.Smaller Cos.Eqty.Ptfl. $ 11.38
(d) Ecu Bond Ptfl ECU 10.20
(w) Oriental Equity Ptfl. $ 11.00
(w) European Equity Ptfl. $ 15.79
(w) Nordic Equity Ptfl. $ 16.14
(w) Amer. Mgt. Equity Ptfl. $ 10.12
(d) Western Pac. Equity Ptfl. $ 11.41
(d) Mediterranean Equity Ptfl. $ 11.94
(d) British Equity Portfolio $ 9.87
(d) U.S.$ Sh. Term Asset Ptfl. $ 9.98
(d) Sterling Sh. Term Asset Ptfl. £ 10.14
(d) North American Bond Ptfl. $ 10.01
(d) Multi-Currency Bond Ptfl. $ 10.10
(d) Sterling Bond Portfolio £ 9.65
FIDELITY INT'L INV. MGMT (LUX.) S.A.
(d)New Europe Fund $ 11.74
(d)Fidelity Conv. Sec. Portf. $ 9.95
FIDELITY POB 670, Hamilton Bermuda
(m) Fid.Amer.Val.II Com. $ 98.23
(m) Fid.Amer. Val.III Com. $ 59.76
(m) Fid.Amr.Val.III Cum.Pref $ 101.63
(d) Fidelity Amer. Assets $ 136.98*
(d) Fidelity Australia Fund $ 14.91
(d) Fidelity Dir. Svgs.Tr. $ 174.95
(d) Fidelity Pacific Fund $ 346.46
FIDELITY INT'L SERVICE (LUX.).
(d) Balanced Portfolio-hedged $ 10.06
(d) Balanced Portfolio-unhedg. $ 11.20
(d) Fidelity Discovery Fund $ 17.24
(d) Fidelity Far East Fund. $ 72.08
(d) Fidelity Frontier Fund $ 23.57
(d) Fidelity Global Ind. Fd $ 14.24
(d) Fidelity Global Selct Fd $ 14.75
(d) Fidelity Int'L Fund $ 15.45
(d) Fidelity Orient Fund $ 107.51
(d) Fidelity Spcl. Growth Fd. $ 37.50
(d) Fidelity World Fund $ 70.15
FIDELITY INT'L (CI) LTD.
FIDELITY PERFORM PORTFOLIOS LTD.
(d) American Portfolio $ 1.08
(d) European Portfolio $ 2.08
(d) Japan Portfolio $ 1.33
(d) South East Asian Portfolio $ 1.25
(d) U.K. Portfolio $ 1.12
(d) Intl. Bond Portfolio. $ 0.92
(d) Sterling Liquidity Ptfl. £ 10.70
(d) Dollar Liquidity Portfolio. $ 10.38
FINAFUTURES (BVI) Ltd
(w) Portofolio (est.) $ 1.013
FOKUS BANK A.S. 472 428 555
(w) Scanfonds Int'l growth fd $ 1.75
GAIA CURRENCY HEDGE FUNDS
(w)Gaia Hedgel $ 108.83 Red $ 110.37
(w)Gaia Hedgell $ 205.80 Red $ 200.16
GARTMORE FUND MANAGERS INT.
45.La Motte Street. JERSEY 0534 27301
CAPITAL STRATEGY FD. LTD.
(d) American $ 1.750
(d) Canadian fund Can$ 0.8710
(d) British £ 2.242
(d) European Fund DM 6.536
(d) Eastern European Fd DM 5.376
(d) Asia Pacific Fd $ 2.349
(d) Japan Fund Y 713.60
(d) Australasian Fund $ 0.3243
(d) Global Resources Fund $ 0.8128
(d) Emerging Markets Fund £ 1.454
(d) International growth $ 2.975
(d) Sterling Band £ .9962
(d) E.C.U. Bond Fund ECU 0.9249
(d) International Bond $ 1.156
(d) US$ Deposit $ 1.019
(d) Sterling Deposit £ 1.037
(d) French Franc Deposit Fd.. FF 10.24
(d) Sw. Fr. Deposit SF 5.101
(d) DM Deposit DM 5.085
(d) Yen Deposit Y 507.6
(d) Austr.Dollar Dep. Fd A$ 1.035
(d) Glob. Conv. Bond Fd $ 17.99
GEFINOR FUNDS
London:071-4994171, Geneva:41-22355530
(w) East Investment Fund $ 973.04
(w) Scottish World Fund £ 213.1447
(w) State St. American $ 326.95
GENERALE BANK
(see also Interselex Group)
(d) Rentinvest $ 27.47
(d) Capital Rentinvest $ 128.83
(d) Rentinbel Distr. LF 9,525.00
(d) Rentinbel Cap. LF 10,909.00
GAM ANLAGEFONDS AG.
POB 164, 8034 Zurich Tel.41-1-2516640
(w) GAM (CH) America SF 1271.00
(w) GAM (CH) Europe SF 99.00
(w) GAM (CH) Mondial SF 1292.00
(w) GAM (CH) Pacific SF 1639.00
GENESEE FUND LTD. 24/05/90
(w) (B)Genesee Short $ 98.52
(w) (C)Genesee Opportunity $ 102.17
GLOBAL ASSET MANAGEMENT CORP.
11 Athol St,Douglas,I. of Man.44-624-26037
(w) GAM Arbitrage Inc $ 230.57
(w) GAMerica Inc $ 256.53
(w) GAM Australia Inc. $ 124.83
(w) GAM Asean Inc $ 182.81
(w) GAM Bond Fund Inc U.S Ord. $ 108.03
(w) GAM Bond Fund Inc U.S Spe. $ 126.38
(w) GAM Bond Fund Inc. SF 86.49
(w) GAM Bond Fund Inc. £ 95.16
(w) GAM Bond Fund Inc. DM 85.36
(w) GAM Bond Fund Inc. Y 10,681.00
(w) GAM Boston Inc $ 236.73
(w) GAM Ermitage $ 31.80
(w) GAM Europe Fund $ 104.88
(w) GAM European Inc. $ 122.16
(w) GAM Franc-Val Inc. SF 226.18
(w) GAM France Inc FF 1498.09
(w) GAM Global Fund $ 133.57
(w) GAM High Yield Inc. $ 91.93
(w) GAM Hong Kong Inc. $ 213.65
(w) GAM International Inc. $ 168.83
(w) GAM Japan Inc. $ 533.99
(w) GAM Money Mkts. Fund $ 103.26
(w) GAM Money Mkts. Fund £ 186.01
(w) GAM Money Mkts. Fund SF 103.56
(w) GAM Money Mkts. Fund DM 102.93
(w) GAM Money Mkts. Fund Y 10,236.00
(w) GAM Mlti-Mgr Fd Inc Gen Eq $ 103.38
(w) GAM Mlti-Mgr Fd Inc Alloc. $ 101.45
(d) GAM Mlti-Mgr Fd - Trading $ 99.93
(w) GAM North America Fund $ 94.47
(w) GAM Pacific Basin Fund $ 131.85
(w) GAM Pacific Inc $ 324.71
(w) GAM Restr. Fd. Inc. $ 154.67
(w) GAM Singapore/Malay Inc. $ 283.73
(w) GAM Swiss Fr Spec Bond Fd SF 89.42
(w) GAM Value Inc. $ 99.41
(w) GAM Worldwide Inc $ 456.36
(w) GAM Tyche S.A. Class A $ 195.46
(w) GAM Universal (Sp) Inc. SF 93.42
(w) GAM U.S. Inc. $ 169.49
(w) GAM Whitethorn Fund Inc. $ 146.45
(w) GAM ut Inc. £ 126.74
(w) GSAM Composite Inc. $ 222.45
G.T. MANAGEMENT PLC
(d) G.T. ASEAN Fund $ 59.95
(d) G.T. Asia Fund $ 14.98
(d) G.T. Australia Fund $ 25.51
(d) G.T. Berry Japan Fund $ 38.40
(w) G.T.Biotech./Health Fund. $ 11.60
(d) G.T. Bond Fund $ 16.06
(w) G.T. Britain Fund £ 6.74
(d) G.T. Deutschland Fund $ 14.57
(d) G.T. Dollar Fund $ 21.78
(d) G.T. Europe Fund $ 36.93
(d) G.T. Euro. Small Cos. Fund $ 38.34
(w) G.T.Global Small Cos.Fund $ 14.96
(d) G.T.Global Techno. Fd $ 18.05
(d) G.T. Hong Kong Fund $ 28.84
(d) G.T. Honshu Pathfinder $ 12.75
(d) G.T. Investment Fund $ 13.06
(d) G.T. Japan OTC Stocks Fund $ 13.20
(d) G.T. Japan Smll Co.Fd $ 14.23
(w) G.T. Korea Fund $ 6.15
(w) G.T. Nat Res. Fd Gold Class $ 5.93
(d) G.T. Newly Ind. Countr. Fd $ 30.98
(d) G.T. Select Dollar Bd Pfl $ 8.53
(d) G.T. Select Int Bd Pfl. $ 9.29
(d) G.T. Select Gilt Pfl. £ 7.38
(r) G.T. Technology Fund $ 45.83
(d) G.T. U.K. Small Companies £ 7.99
(w) G.T. U.S. Small Companies $ 16.42
HENDERSON HORIZON FUND
(d) HHF Japan Portfolio $ 11.34
(d) HHF Japan Sm. Cos. Pfl. $ 17.31
(d) HHF Pacific Portfolio $ 10.79
(d) HHF North Amer.Portfolio $ 4.67
(d) HHF European Portfolio $ 8.79
(d) HHF U.K. Portfolio $ 5.29
(d) HHF Global Portfolio $ 9.26
(d) HHF Fixed Interest Pfl. £ 8.47
(d) HHF Dollar Liq. Pfl. $ 0.8143
(d) HHF Sterling Liq. Pfl. £ 1.0770
(d) HHF Invt. Cos. Pfl. $ 9.73
HENDERSON PTFL. MGT. SERVICE
(d) HPMS Dol. Bal. Gr. Pfl. $ 2.119
(d) HPMS Sterl. Bal. Gr. Pfl. £ 1.388*
(d) HPMS Dol. Sel Markets Pfl $ 2.179
(d) HPMS Dol.Income & Gr. Pfl $ 1.811*
(d) HPMS Sterl. High Inc. Pfl £ 0.610*
HILL SAMUEL GLOBAL PORTFOLIO
1A rue Pierre d'Aspelt Luxembourg 1142
(d) H. S. Glbl Pfl UK Equity £ 9.32
(d) H. S. Glbl Pfl UK Sm.Co.Eq. £ 9.77
(d) H. S. Glbl Pfl N.Amer. Eq. $ 9.65
(d) H. S. Glbl Pfl US Sm.Co.Eq. $ 9.19
(d) H. S. Glbl Pfl Pac.Bas.Eq. $ 9.24
(d) H. S. Glbl Pfl Jap. Eq. Y 943.00
(d) H. S. Glbl Pfl Euro Eq. DM 10.14
(d) H. S. Glbl Pfl St.Fix.Int. £ 9.55
(d) H. S. Glbl Pfl Eu.Fix.Int. DM 9.14
(d) H. S. Glbl Pfl Glbl. Eq. $ 9.56
(d) H. S. Glbl Pfl Glbl. Bond $ 9.37
(d) H. S. Glbl Pfl Glbl. Mgd. $ 9.39
HILL SAMUEL INVEST. MGMT. INTL. S.A.
Jersey, P.O. Box 63. Tel 0534 76029
Berne, P.O. Box 2622, Tel 4131 224051
(d) Crossbow (Far East) SF 15.19
(d) CSF (Balanced) SF 36.98
(d) European Equity Fund DM 24.46
(d) Intnl. Bond Fund $ 12.86
(d) Int. Currency U.S.Manag'd $ 27.93
(d) ITF Fd (Technology) $ 22.73
(d) O'Seas Fd (N. AMERICA) $ 50.63
(d) Int. Currency U.S. $ 26.99
IAM, 2 Bd. Royal LUXEMBOURG
(d) Iam Flagship Fund ECU 84.05
(w) Iam Bonds Fund-France FF 590.84
(w) Iam Bonds Fund-Deutschl DM 220.15
(w) Iam Bonds Fund-Japan Y 10,480.00
(w) Iam Bonds Fund-Switz. FS 213.32
(w) Iam Bonds Fund-U.S.A $ 106.22
(w) Iam Bonds Fund-Europe ECU 116.71
(w) Iam Bonds Fund-Netherl FL 198.64
(w) Iam Europe global ECU 104.46
(w) Iam Europe luxe ECU 106.89
(w) Iam Europe 90/10 ECU 105.02
(w) Iam Europe 1992 ECU 110.53
(w) Iam Europe du Sud ECU 111.41
INTERSELEX GROUP
(d) Int.America Fund $ 17.65
(d) Int.Belgo Fund LF 3119.00
(d) Int.Europa Sicav LF 6746.00
(d) Int.Pacific Fund $ 1392.48
(d) Int.World Fund $ 97.44
ITALFORTUNE INTL. FUNDS.
(w) Class A (Aggr.Growth Ital.) $ 51.90
(w) Class B (Global Equity) $ 10.71
(w) Class C (Global Bond) $ 10.70
(w) Class D (Ecu Bond) ECU 9.80
ISLAMIC MGMT FUND LTD $ 1111.81
CSFB Fund Mgmt Ltd (0481-713996)
PB122 St. Peter Port,Guernsey
JARDINE FLEMING,GPO Box 11448 Hg Kg
(d) J.F Japan Trust Y 19752.00
(d) J.F Pacific Sec. Trust $ 27.64
(d) J.F Pacific Income Trust $ 87.19
(d) J.F Hong Kong Trust $ 73.64
(d) J.F European $ 13.33
(d) J.F International $ 15.86
(d) J.F Glb Convertibles Trust $ 12.86
KIDDER,PEABODY & Co.Incorporated.
(b) Chesapeake Fund Ltd. $ 1328.08
(b) Stonehenge Ltd. $ 1104.32
KLEINWORT BENSON SELECT FUND
(d)British Fund ECU 1.76
(d)Emerging Asia Fund ECU 1.996
(d)European Fund ECU 2.09
(d)Japanese Fund ECU 1.88
(d)International Fund ECU 1.90
(d)North American Fund ECU 1.92
(d)Pacific Fund ECU 1.91
LIPPO ASIA LIMITED
(w)Java Fund $ 10.86
LLOYDS BANK PLC, POB 438, Geneva 11
Mr. Peter King, 41 (22) 307333/ext. 3394
+(w)Lloyds Int'l Dollar $ 108.20
+(w)Lloyds Int'l Europe SF 192.00
+(w)Lloyds Int'l Growth SF 210.60
+(w)Lloyds Int'l Income SF 256.00
+(w)Lloyds Int'l N. America $ 173.75
+(w)Lloyds Int'l Pacific SF 188.20
+(w)Lloyds Int'l. Smaller Cos $ 78.28
MAN INTERNATIONAL FUTURES
(m) Alubat Mint Gtd.Fund.Ltd.. $ 117.53
(m) Mint Limited - Ordinary $ 49.02
(m) Mint Limited - Income $ 17.58
(m) Mint Gtd Ltd - Spec Issue $ 24.02
(m) Mint Gtd Ltd - Series A $ 26.17
(m) Mint Gtd Ltd - Nov 1993 $ 22.88
(m) Mint Gtd Ltd - Jan 1994 $ 18.44
(m) Mint Gtd Ltd - Dec 1994 $ 16.86
(m) Mint Gtd Ltd - Aug 1995 $ 13.03
(m) Flame Mint Gtd Plc $ 136.52
(m) Mint Sp Res Ltd (BNP) $ 121.84
(m) Newcastle Guaranteed Ltd $ 13.03
MAGNUM FUTURES FUND LTD.
(m) Deutschemark Class DM 20.25
(m) Sterling Class $ 4.14
(m) U.S Dollar Class $ 9.13
MERRILL LYNCH
(d) Dollar Assets Portfolio $ 1.00
(d) Iberia portfolio $ 11.77
(d) Multi-Curr. Bond Portfolio. $ 14.53
(d) U.S.A Income Portfolio $ 9.13
(d) US Federal Securities $ 9.47
(d) World Nat Res Ptf. Share A $ 11.38
(d) World Nat Res Ptf. Share B $ 11.38
GLOBAL CURRENCY PORTFOLIOS
(d) Australian Dollar Pfl. $ 11.21
(d) Canadian Dollar Pfl. C$ 9.74
(d) Deutschmark Portfolio DM 9.72
(d) Pound Sterling Portfolion. £ 10.16
(d) US Dollar Portfolion $ 10.87
(d) Yen Portfolio Y 985.00
M. LYNCH MLT.NAT'L INV PFL-EQ
GLOBAL EQUITY PORTFOLIO
(d) Class A $ 10.80
(d) Class B $ 10.44
CONVERTIBLE SECURITIES PTFL.
(d) Class A $ 11.36
(d) Class B $ 11.35
BASIC VALUE PORTFOLIO
(d) Class A $ 10.23
(d) Class B $ 10.20
MIM BRITANNIA,POB 271, St. Helier, Jersey
(d) Amer. Inc. & Growth $ 1.339
(d) Asia Super Growth Fund $ 14.40
(d) Dollar Man.Curr $ 14.44
(d) Dollar Man. Port $ 2.262*
(d) Gold & Prec. Metals $ 1.010
(d) Gtd. N.W. 1994 $ 7.80
(d) Int.High Income $ 2.397
(d) Japan Dollar Perf. Fd $ 40444
(d) Jersey Gilt £ 0.1646*
(d) Nippon Warrant Fund $ 22.82
(d) Okasan Global Strat $ 18.18
(d) Pioneer Markets £ 3.143*
(d) Sterling Man.Port £ 1.827*
(d) Sterling Man. Curr. £ 17.24
(d) U.K. Growth £ 1.009
NIMARBEN
(w) Class A $ 176.65
NMB BANK,PO 1800,1000 BV Amsterdam.
(w) The Brazil Fund $ 1.36
(w) NMB Dutch Fund FL 41.90
(d) NMB Real Estate Fund. FL 36.60
(d) NMB Euromix Fund LF 2.065
NOMURA INVEST BANKING (M.E) E.C.
(d) Nomura Gulf Fund $ 9.89
NOMURA INTL. (HONG KONG) LTD.
(d) Nomura Jakarta Fund $ 11.68
OBLIFLEX LIMITED
(w) Multicurrency $ 21.47
(w) Dollar Medium Term $ 16.94
(w) Dollar Long Term $ 15.38
(w) Japanese Yen $ 23.48
(w) Paud Sterling £ 15.47
(w) Deutsche Mark DM 12.37
(w) Dutch Florin FL 12.82
(w) Dutch Florin Multi. FL 18.20
(w) HY Euro. Currencies ECU 10.23
(w) HY Euro.Curr.Divi.Pay. ECU 10.21
(w) Swiss Franc SF 18.31
(w) Swiss Franc Divl. paying SF 18.48
(w) US Dollar Short Term. $ 10.21
(w) Swiss Multicurrency SF 11.45
(w) European Currency ECU 14.86
(w) Convertibles $ 11.51
(w) French Franc FF 102.96
(w) Swiss Multi-dividend SF 9.01
OLYMPIA Capital Intl.,BVI
c/o OCM, 17 ave. George V, 75008 Paris
Tel.: 33-1-47208674
(w)Finsbury Group $ 130.82
(w)Winchester Capital $ 100.92
(w)Winchester Frontier $ 214.48
(w)Winch.Hold.-Intl.SerD ECU 1,184.73
(w)Winch.Hold.-Intl.SerF ECU 1,168.37
(w)Winchester Hold.-US$ $ 15.65
(w)Winch.Reser.Multi.Gvbd $ 12.88
(m)Winch.Fut.Divers. $ 16.09
(m)Winch.Fut.Orion $ 18.30
PARIBAS-GROUP
(d) Belux Fund LF 11,409.00
(d) Cortexa International $ 134.43
(d) Ecupar ECU 1,383.09
(d) Luxor $ 8.28
(d) Moneyflow LF 18,182.00
(d) Parinter Fund $ 224.72
(d) Par US Treas. Bond 'CL B' $ 155.10
(d) Europhenix ECU 189.61
(d) Parinter Bond Fund $ 13.35
(d) Paribas-Rente 'A' LF 1,198.00
(d) Paribas-Rente 'B' LF 1,383.00
(d) Parvest Obli-Franc 'A' $ 1,304.44
(d) Parvest Obli-Franc 'B' $ 1,304.44
(w) Parvest Obli-DM 'A' DM 1,165.28
(w) Parvest Obli-DM 'B' DM 1,300.51
(w) Obligestion SF 84.51
(w) Parvest Obli-Dollar 'A' $ 1,127.19
(w) Parvest Obli-Dollar 'B' $ 1,321.39
(w) Parvest Obli-Yen 'A' Y 106194.00
(w) Parvest Obli-Yen 'B' Y 115886.00
(w) Parvest Obli-Gulden 'A' FL 957.18
(w) Parvest Obli-Gulden 'B' FL 1,097.50
(w) Parsuisse SF 1,544.61
(w) Parjapon Y 3,552.00
PERMAL GROUP
(m) Drakkar Growth $ 1902.23
(m) EuroMir (ECU) Ltd. ECU 1053.45
(m) Media Ltd $ 782.09
(m) Nascal Ltd $ 1436.79
(m) Special Opportunities Ltd $ 1709.82
(m) Updyke Ltd $ 354.64
(m) Value N.V. $ 1998.21
PIERSON,HELDRING & PIERSON N.V.
Rokin 55, 1011kk, Amsterdam (20-5211188)
(w) Asia Pac. Growth Fd N.V. $ 38.62
(w) Asian Selection Fd. N.V. FL 48.56
(w) DP Amer. Growth Fd N.V. $ 25.97
(w) Europe Growth Fund N.V. FL 63.39
(w) Japan Diversified Fund $ 47.07
(w) Leveraged Cap Hold $ 354.72
(w) Tokyo Pac. Hold. N.V. $ 241.92
PIONEER GROUP
(d) Pioneer Fund $ 22.79
(d) Pioneer II $ 18.76
PUTNAM
(d) Emerging Hlth Sc. Trust $ 19.98
(w) Putnam Em. Info. Sc. Tr $ 16.52
(d) Putnam Glob. High Growth $ 13.84
(d) Putnam High Inc. GNMA Fd $ 9.13
(d) Putnam Int'l Fund $ 12.29
ROBECO GROUP
POB 973, Rotterdam (10-4650711)
(d) Robeco FL 99.00
(d) Rolinco FL 99.70
(d) Rorento FL 58.90
(d) Rodamco FL 80.20
ROTHSCHILD AST.MGT.
(w) Tokyo Pac. Hold. (Sea) $ 163.40
ROYAL B. CANADA,POB 246,GUERNSEY
+(w)RBC British Fund Ltd. £ 5.168
+(w)RBC Canadian Fund Ltd C$ 13.47
+(w)RBC European Fund $ 13.94
+(w)RBC Far East&Pacific Fd $ 47.22*
+(w)RBC Int'l Capital Fd $ 60.67*
+(w)RBC Int'l Bond Fund Ltd. $ 12.64
+(d)RBC Man.Currency Fd $ 39.37
+(w)RBC North Amer. Fd $ 15.58
ROYAL TRUST ASSETMIX FUND
Lux.Tel.:(352)488061
EQUITY FUNDS
(d)Alpha UK £ 1.20
(d)Alpha US$ $ 1.50
(d)Alpha Worldwide SF 4.88
(d)Alpha Japanese Y 988.00
(d)Alpha Pacific Rim $ 1.44
(d)Alpha European ECU 1.30
(d)Gold Share $ 1.05
BOND FUNDS
(d)Sterling Pound £ 102.78
(d)US$ Bond US$ 107.73
(d)Deutschmark Bond DM 48.05
(d)Alpha Worldwide SF 51.15
RESERVE FUNDS
(d)Sterling Reserve £ 12.164
(d)US$ Reserve $ 11.173
(d)Deutschmark Reserve DM 10.854
SHEARSON LEHMAN HUTTON
(d) Oporto Growth Fund $ 8.56
SKANDIFOND
SKANDINAVISKA ENSKILDA BANKEN
(w)Equity Intl Acc $ 12.87
(w)Equity Intl Inc $ 11.44
(w)Equity Global $ 1.28
(w)Equity Far East $ 2.87
(w)Equity Gold $ 0.88
(w)Equity Japan Y 133.00
(w)Equity Nordic $ 1.57
(d)Equity U.K. $ 1.12
(d)Equity Continental Europe $ 1.43
(d)Equity Mediterranean $ 1.26
(d)Equity North America $ 1.38
(d)Bond DEM DM 0.91
(w)Bond Intl Acc $ 8.32
(w)Bond Intl Inc $ 6.42
(d)Bond Sweden SEK 10.21
(d)Bond Dollar $ .99
(w)High Income Acc $ 1.14
(w)High Income Inc $ 0.96
(w)Multicurrency $ 1.2159
SOCIETE GENERALE GROUP
(w) Sogelux Fund (SF)
(w) SF Bonds A U.S.A $ 11.87
(w) SF Bonds B Germany DM 22.54
(w) SF Bonds C France FF 88.44
(w) SF Bonds D Switz. SF 20.00
(w) SF Bonds E G.B. £ 8.35
(w) SF Bonds F Japan Y 1657.00
(w) SF Bonds G Europe ECU 12.19
(w) SF Bonds H World Wide $ 12.03
(w) SF Bonds J Belgium BF 579.00
(w) SF Eq. K North America $ 12.89
(w) SF Eq. L W. Europe ECU 13.93
(w) SF Eq. M Pacific Basin YEN 1635.00
(w) SF Eq. N France FF 70.89
(w) SF Eq. P Growth Countries $ 13.46
(w) SF Equities Q Gold Mines $ 11.61
(w) SF Equities R World Wide $ 12.73
(w) SF Short Term S France FF 119.75
(w) SF Short Term T Eur. ECU 11.72
SODITIC ASSET MANAGEMENT INC.
(w) SAM Diversified Inc. $ 104.67
SVENSKA HANDELSBANKEN S.A.
146 bd de la Petrusse,L-2330 Luxembourg
(b) SHB Bond Fund $ 44.44
(w) Svenska Select.Fd Intl Sh. $ 55.01
(w) Svenska Select.Fd America Sh $ 12.71
(w) Svenska Select.Fd Asia Shares $ 8.87
(w) Svenska Select.Fd Germany DM 10.48
(d) Svenska Sel.Fd Intl Bd.Sh $ 10.24
(d) Svenska Sel.Fd Nordic Shs $ 11.93
(d) Svenska Sel.Fd S/T Ass.Sh $ 10.36
SWISS BANK CORP. (ISSUE PRICES)
(d) AmericaValor SF 436.75
(d) AngloValor £ 183.11
(d) Asia Portfolio SF 421.73
(d) Convert Bond Selection SF 93.85
(d) Dollar Bond Selection $ 130.98
(d) D-Mark Bond Selection DM 104.83
(d) Ecu Bond Selection ECU 95.22
(d) Florin Bond Selection FL 109.36
(d) FrancoValor FF 1994.83
(d) GermaniaValor DM 563.49
(d) Gold Portfolio SF 395.61
(d) ItalValor Lit 520504.00
(d) Japan Portfolio SF 332.75
(d) SBC US$ MMF $ 6064.54
(d) SBC 100 Index Fund SF 1148.00
(d) SBC Sfr Bond A/B SF 1016.83
(d) Sterling Bond Selection £ 100.72
(d) Swiss Foreign Bond Selec SF 98.48
(d) Swissvalor SF 392.00
(d) Universal Bond Select. SF 71.75
(d) UniversalFund SF 113.41
(d) Yen Bond Selection Y 11173.00
TEMPLETON W.WIDE INVESTMENTS
(d) GROWTH PORTFOLIO
(d) Class A-1 $ 10.72
(d) Class A-2 $ 10.72
(d) Class A-3 $ 10.72
(d) Class B-1 $ 10.65
(d) Class B-2 $ 10.65
(d) INCOME PORTFOLIO
(d) Class A $ 10.39
(d) Class B $ 10.32
THORNTON MANAGEMENT LTD.
(d) Thornton Int opps.fund $ 2.09
(d) Pacific Invt. Fd. S.A. £ 11.23
(d) Pac.Invt. Fd. SA DM 31.94
(d) Pac.Invt. Wrnts Fd.S.A. DM 17.72
(d) Pac.Invt. Warrants Fd.S.A. $ 6.23
(d) Thornton Kangaroo Fd Ltd. $ 9.54
(d) Thornton HK & China $ 13.67
(d) Thornton Japan Fund Ltd $ 38.76
(d) Thornton Orient.Inc. Fd Ltd $ 23.64
(w) Thornton Phil. Redev. Fd $ 38.79
(d) Thornton Tiger Fund Ltd $ 34.15
(d) Thor.Pacific Tech.Fd Ltd $ 11.25
(d) Thor.Litt. Dragons Fd Ltd $ 26.86
(d) Thor.Golden Opport.Fd $ 5.51
(d) Eastern Crusader Fund. $ 10.47
(w) The Global Access Fund. $ 9.6
NEW TIGER SEL. FUND
(d) Thailand $ 10.93
(d) Malaysia $ 10.20
(d) Indonesia $ 9.87
T. Rowe Price Associates Inc.
(m)T. Rowe Price Frontier Ltd. $ 11.15
TYNDALL INT'L GUERNSEY LTD
Tel.0481 27963
(d) Amer Spec Sits $ 47.73
(d) Eurobond $ 28.54
(d) Mortgage C$ 13.96
(d) Overseas $ 28.89
(d) Tiger $ 46.24
(d) High Yield Bond £ 63.30
(d) Marunouchi £ 84.30
(d) Far Eastern £ 615.10
(d) Gilt £ 495.70
(d) Mgd Currency-Dollar $ 1.354
(d) Mgd Currency-Stg £ 112.70
(d) 1992 £ 303.30
(d) Wall Street £ 255.50
(d) HI Inc Gilt & Bulldog £ 94.10
UEBERSEEBANK, ZURICH
(d) B-FUND SF 928.04
(d) M-FUND SF 1051.12
(d) E-FUND SF 576.32
(d) J-FUND SF 398.25
(d) M-Distribution SF 97.57
(d) UBZ Euro-Income Fund SF 9.27
UNION BANK OF SWITZERLAND
(d) Amca American Shrs SF 38.25
(d) Bond-Invest SF 56.25
(d) Brit-Invest Shares SF 729.00
(d) D-Mark-Invest Bds DM 199.20
(d) Dollar-Invest Bds $ 111.20
(d) ESPAC Spanish sh SF 204.00
(d) Eurit SF 352.00
(d) Fonsa Swiss Sh. SF 217.00
(d) Francit Shares. SF 245.00
(d) Germac Shares. SF 257.80
(d) Globinvest Shares. SF 109.00
(d) Gold Invest Shares. SF 221.00
(d) Holland-Invest Sh. SF 240.00
(d) Itac Shares SF 235.50
(d) Japan-Invest Sh. SF 1348.00
(d) Sima (stock price) SF 227.50
(d) Skandinavien-Invest SF 296.00
(d) UBS Money Mkt Inv. $ 1045.59
(d) Yen-invest Bonds. YEN 83,970.00
UNION INVESTMENT Frankfurt
(d) Unirenta DM 36.00
(d) Unifonds DM 39.30
(d) Unirak DM 81.15
(d) Unizins DM 105.80
THE UNIVERSAL GROUP OF FUNDS
(d) Univers Sav Amer C$ 9.94
(d) Univers Sav Equity C$ 11.16
(d) Univers Sav Global C$ 5.49
(d) Univers Sav Pacific C$ 9.65
(d) Univers Sav Nat. Res C$ 5.74

Other Funds

(b) Abacus Guart.Fd.Mar.'94' $ 9.67
(r) Acticroissance $ 519.81
(d) Actifinance Intl $ 1082.50
(w) Actigestion FF 1227.45
(w) Activest Intl $ 23.71
(d) Amvabel FL 74.50
(w) Aquila International Fund $ 287.24
(b) Ariane $ 3,811.24
(d) Asia Oceania Fund $ 18.54
(m) Associated Investors Inc. $ 737.52
(m) Atlantic Fund $ 80.43
(d) Atlas Fund SF 108.47
(r) Australia Fund $ 15.29
(w) BDD Inv Fund-Ecu Bd ECU 5129.99
(w) BEM International $ 5.54
(d) Berg Norden Sicav $ 159.49
(d) Berg Trust Sicav $ 133.28
(w) Berg Trust Sicav Switz. SF 156.67
(w) Bergen Int'l Fund $ 11.53
(d) Bever Beleggingen++ $ 25.50
(m) Bonar Currency & Int. $ 87.20
(w) Bondselex-Issue Pr. SF 102.80
(m) J Capel guaranteed Fund $ 18.08
(w) CMI Investment Fund $ 1400.00
(d) Cash Gestion FF 10008.88
(d) CB German Index Fund DM 137.80
(m) Cleveland Offshore Fd. $ 28.24
(w) Columbia Securities FL 108.34
(m) Commod. Gtd. Fund/USA $ 3.88
(d) Conqueror Fund Ltd $ 98.25
(w) Convert. Fd. Intl A Certs $ 17.27
(w) Convert. Fd. Intl B Certs $ 58.16
(w) Cumber Intl N.V. $ 242.83
(w) Daiwa Japan Fund Y 8363.00
(w) D.G.C. $ 206.67
(d) D-mark-Baer Bond Fd DM 965.00
(d) Dollar-Baer Bond Fd $ 1117.00
(d) D. Witter Wld Wide Ivt Tst. $ 25.46
(d) Dreyfus America Fund $ 17.87
(d) Dreyfus Fund Int'l. $ 65.93
(d) Dreyfus Intercontinent $ 11.63
(m) Dumenil Arbitrage Fd NV. $ 830.62
(d) Emperor Fund Limited $ 72.78
(d) Equicurrency (DOM) ECU 1.5[illegible]
(w) Esprit Sicav ECU 1382.5[illegible]
(w) Espirito Sto Inv M Sth Eur Fd. $ 12.9[illegible]
(d) Europe Obligations ECU 73.77
(d) Europe 1992 $ 11.38
(d) Exclusive Advisors Fd Ltd $ 84.58
(m) Fatum Fund $ 952.26
(w) Fairfield Int'l Ltd. $ 147.10
(w) Fairfield Strat. Ltd. $ 57.00
(w) First Eagle Fund $ 39,085.48
(m) First Frontier Funds $ 98.54
(w) F.I.T. Fund II FF 112.3[illegible]
(d) Fonditalia $ 89.28
(w) Fonselex Issue Pr. SF 176.35
(d) Forexfund Limited $ 9.29
(w) Formula Selection Fd. SF 85.30
(d) Frankl-Trust Effekten Fd DM 175.12
(d) Frankl-Trust Interzins DM 39.30
(w) George V INV. BOND F. $ 21.60
(m) German Sel. Associates DM 230.92
(d) Green Line France FF 750.66
(w) Haussmann Hldgs. N.V. $ 301.66
(w) Hestia Funds $ 155.45
(w) Horizon Fund $ 1743.74
(w) Ibex Holdings Ltd. SF 174.89
(w) IFDC Japan Fund YEN 40251.00
(r) ILA-IGB $ 6.51
(r) ILA-IGS $ 9.97
(m) IncAmerica N.V. $ 14.67
(m) IncAsia N.V. $ 9.31
(w) Inoremel $ 10.93
(w) Interecu Fund 'A' ECU 1035.62
(w) Interecu Fund 'B' ECU 247.51
(m) Interface Fund Ltd. $ 147.12
(d) Interfund SA $ 47.30
(w) Intermarket Fund $ 420.42
(r) Int'l Securities Fund $ 22.06
(w) Intersec SA $ 4233.71
(d) Investa DWS DM 81.07
(d) Investmentor Fund $ 100.09
(m) Japan Selection Asses. Y 6,731.00
(w) Japan Pacific Fund $ 252.82
(w) Japan Reg.Growth F. Yen 974.807
(w) Japan Selection Fund $ 220.35
(d) JJ Placement FF 11652.97
(w) Kenmar Intl - B $ 9842.80
(m) Key Hedge Fund Inc. $
(w) Kleinwort Bens. Jap. Fd. $ 237.98
(d) KML-II High Yield 25/05/90 $ 709.58
(w) Korea Growth Trust $ 34.17
(w) LACO International $ 7.18
(w) Leumi Val.Francaises. FF 1060.33
(w) Liberty Offshore Fund $ 185.44
(d) Liquibaer $ 1046.00
(m) London Portfolio G'td. I. $ 87.48
(m) London Portfolio G'td. II. $ 9.12
(w) Luxfund $ 112.60
(m) Lynx Sel.Holdings SF 132.09
(m) MCM International Limited $ 136.58
(w) Moore Global Invts. Ltd. $ 1,233.53
(w) ML. Morgens Lv Hi Yld.Inv.NV $ 9.34
(d) Mediolanum Sel. Fd. $ 44.74
(d) NCA FUND $ 72.39
(w) Nippon Fund $ 107.90
(m) NMT Asian Sel. Portfolio $ 192.45
(w) NMT Citadel Bond SF 108.19
(m) NMT Nastec Portfolio s/s. $ 111.83
(d) NM Inc. & Growth Fund $ 16.20
(d) Nomura-Cap Int Eq Fd $ 14.71
(d) Nordmix Lit 11749.00
(w) Noveurope ECU 3179.37
(m) NSP F.I.T. $ 260.71
(m) Oppenheimer U.S.Arb. $ 124.38
(w) Optimum Fund $ 1,291.80
(m) Overlook Performance $ 1222.56
(d) Pacific Nies Fund $ 9.33
(d) PAM Futures Trad. $ 614.97
(w) Pancurri Inc. $ 159.63
(m) Paragon Fund Limited $ 9.45
(d) Preferred Capital Fund Lt. $ 84.43
(d) Pro Traders Judgement $ 94.18
(w) Prosp. I.H.Inc.P.F 18/05/90 $ 5.37
(w) Puget-Mahe Barclays Pac. $ 198.77
(w) Quantum Fund N.V. $ 14,446.78
(w) Rep.(Guernsey) Dol.Inc.ld $ 9.66
(d)SAGA Ameriques FF 887.97
(d)SAGA Court Terme FF 1138.88
(d)SAGA Long T.Capitalisation FF 1049.88
(d)SAGA Opportunites FF 1008.04
(d)SAGA Premiere FF 1125.73
(w) Samurai Portfolio SF 298.48
(d) Sanyo Kle.Spain Fd $ 11.77
(d) Sarakreek Holding n.v.*++ $ 29.30
(m) Scimitar Guaranteed $ 8.39
(m) Scimitar Guaranteed Cur Fd. $ 19.00
(d) SCI/Tech. SA Luxembourg $ 20.84
(w) SP International S.A. $ 5205.09
(m) SLH Guar. F.F.I. $ 928.96
(d) Strat Int'l Gold Fund S.A. $ 6.81
(b) Stellux Fund $ 175.23
(w) Sussex Silverman $ 1096.88
(w) Techno Growth Fund SF 61.45
(d) Templeton Glob Inc. $ 9.71
(m) The Petrus Fund Ltd. $ 1.13
(m) TIIC(O.T.C)Jap.ld Sicav $ 15.87
(w) Transpacific Fund Y 35048.00
(d) Triton Offshore Class A $ 973.28
(d) Triton Offshore Class B $ 934.22
(d) Tudor B.VI Futures,LTD $ 5885.76
(d) Turquoise Fund $ 228.40
(w) Tweedy,Browne n.v.Cl.A $ 2557.35
(w) Tweedy,Browne n.v.Cl.B $ 1773.36
(m) Tweedy,Browne (U.K.) n.v. $ 1374.62
(d) Unico Inv.Fund DM 78.73
(d) Unico Equity.Fund DM 65.88
(d) Uni Bond Fund ECU 1538.71
(r) Uni Capital Fund $ 1630.99
(m) Unitrad FF FF 18,424.57
(m) Unitrad SF SF 1,025.39
(m) Unitrad $US $ 1,025.34
(d) Univers Bonds DM 131.93
(w) Vanderbilt Assets $ 15.92
(m) Victor Futures Fund $ 191.85
(d) Victoria Holdings Limited. $ 87.58
(w) Willerbond Capital $ 14.45
(d) World Fund S.A. $ 11.78
(d) World Balanced Fund S.A. $ 12.13
(w) Worldwide Securities $ 38.25
(w) Worldwide Special $ 980.73
(m) Zweig Int'l Ltd $ S/S 9,481.00

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International Herald Tribune
BUSINESS/FINANCE
TUESDAY, MAY 29, 1990

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INTERNATIONAL STOCKS

Despite Fear, Hong Kong Still Attracting Investors

By Jonathan Fuerbringer
New York Times Service

NEW YORK — You would not expect Karl Otto Pöhl, the president of the West German Bundesbank, to say that the economic union with East Germany will be inflationary and force interest higher, even if he is worried that could happen. That would just become a self-fulfilling prophecy.

So, too, you can not expect Hong Kong business leaders, whose wealth and lives are centered there, to say that Hong Kong's return to China in 1997 will bring an end to the British colony's vibrant, free-market economy.

But even with this caveat, several businessmen seemed to be talking sense last week when they argued that China has too big a stake, both economically and politically, to break its agreement to allow Hong Kong to continue its capitalist ways for 50 years after 1997. These executives, however, don't expect the next decade to be easy.

The Japanese and Taiwanese are putting money into Hong Kong. So are global fund managers.

"There is an obvious downside risk to China," said Victor Fung, chairman of Prudential Asia, referring to the threat that China could turn inward and bring Hong Kong with it.

But Mr. Fung says it is more likely that "China will bump along in fits and starts toward a more market economy," a development that makes Hong Kong's door between the West and China so valuable.

The Hong Kong stock market, whose Heng Seng index fell 581.77 points, or 21.75 percent, to 2,093.61 on the day after the massacre around Tiananmen Square last June 4, has risen 46 percent since then. It closed Friday at 3,059.50, just below its 1990 high of 3,067.67.

The Japanese and Taiwanese are putting money into the colony and the market. And global fund managers, like Murray Johnstone International, are increasing their weighting in Hong Kong to buy inexpensive stocks with low price-earnings ratios. These stocks include Hutchinson Whampoa, a trading, real-estate and financial company, and China Light & Power.

THE CHIEF EXECUTIVE of the Hong Kong Stock Exchange, Francis T.F. Yuen, said, "We are more or less becoming numb to bad news."

President George Bush provided some good news last week — which did push the stock market higher — when he announced that he would extend China's most-favored nation trade status for another year.

With the growing economic interaction between Hong Kong and China, especially in the Pearl River Delta and Guangdong province, a blow to China is a blow to Hong Kong.

Most-favored-nation status gives China the lowest possible tariffs on its products. Without it, tariffs on toys would rise to 70 percent of the value of the item, from 6 percent, and on watch bands to 114 percent, from 12, according to John Kamm, the president of the American Chamber of Commerce in Hong Kong.

Had China lost its most-favored-nation status, Mr. Kamm says, the troubled Chinese economy would have been pushed into a depression — and Hong Kong would have faced a recession.

The Hong Kong market will continue to be volatile, however, reflecting the uncertainty over the direction of the Chinese government. The most immediate concern is over the crisis of succession that is expected to follow the death of Deng Xiaoping, the aging Chinese leader.

While thousands of professionals, fearful of what 1997 will bring, are still leaving Hong Kong, the thousands who remain are stubbornly optimistic — and fatalistic as well.

Said Gordon Y.S. Wu, the managing director of Hopewell Holdings Ltd. and one of the colony's most aggressive and outspoken business leaders: "I will tell you in 1998 if I was brilliant or stupid — if I can talk to you."

American Banks Stabilize, but Outlook Guarded

By John M. Berry
Washington Post Service

WASHINGTON — During the 1980s an onslaught of competition and wild economic swings hit U.S. commercial banks so hard that today the banking system is both scarred and facing an uncertain future.

As changes swept through the banking industry, often sparked by rapid advances in telecommunications and computer technology, many institutions made a vain effort to hold on to fading markets and profits by taking steadily greater risks. Some of them paid a high price.

More than 1,000 U.S. banks have failed in the past 10 years and hundreds more are sure to do so in the next few years. Commercial bank failures that have already occurred are expected to cost the federal Bank Insurance Fund $23.4 billion. That is in addition to the $130 billion that U.S. taxpayers will have to absorb to bail out the troubled savings and loan industry.

Now, however, the system as a whole may be stabilizing, according to a number of analysts who believe that only one sizable bank, the $25 billion Bank of New England, is in such bad shape that it might fail in the near future. Last year 11.4 percent of all banks lost money, but that was down from a high of 20.6 percent in 1986.

Meanwhile, as the institutions in the most trouble have been closed or merged out of existence and other banks have overcome their losses, the number of institutions identified as problem banks by federal regulators has shrunk from a peak of 1,559 at the end of 1987 to 1,093 at the end of last year.

But stabilizing a weakened system is not the same thing as making it healthy again, and its future remains uncertain, partly because the future of the economy is uncertain. The banks, urged on by federal regulators, have begun to try to limit future losses by tightening up their standards for making loans.

During the 1980s, the biggest U.S. banks often took the greatest risks and their profitability has suffered the most. During the decade, the top 10 U.S. banks wrote off as uncollectable nearly $40 billion worth of bad loans while earning less than $30 billion.

"The heart of the question is, is banking a business you can still make money in?" said L. William Seidman, chairman of the Federal Deposit Insurance Corp., which manages the Bank Insurance Fund. "The answer is clearly, yes.

"But are the risks too high for the return they are making?" Mr. Seidman asked. "I can't provide an answer I have a lot of faith in. I do think that as banks get into higher risks they have to have more capital" to cushion losses.

By no means are all banks in a weakened condition, and some of them, such as the Bank of America, the third-largest U.S. bank with nearly $100 billion in assets, have had impressive turnarounds. Bank of America made more than $1 billion last year, after losses on loans to developing nations and a series of management mistakes had put the institution on the ropes.

Still, waves of losses repeatedly have hit the industry, involving lending to farmers, energy companies, developing nations, real estate developers and, perhaps soon, loans to finance corporate takeovers and other so-called highly leveraged transactions. Currently the greatest worry among bank regula-

See BANKS, Page 19

Tunnel Firm Gets Loan Rise

Banks' Waiver Is Also Granted

Reuters

LONDON — The European Investment Bank has approved in principle an increase in Eurotunnel's long-term loan facilities for the Channel Tunnel project to £1.3 billion ($1.19 billion) from £1 billion, Eurotunnel said Monday.

The Anglo-French consortium, which is building a tunnel under the English Channel, also said that its banking syndicate had approved a waiver that conditionally permits continued drawings from its existing syndicated loan facilities while additional funding is put in place.

Eurotunnel's chairman, André Benard, and its chief executive, Alastair Morton, said in a statement: "This decision reaffirms that the EIB considers that the construction of the Channel Tunnel is a project of fundamental European interest."

The investment bank's approval of the loan increase is subject to the successful syndication of up to £2 billion in additional loan facilities from Eurotunnel's world-wide banking syndicate, which is comprised of more than 200 banks.

Estimated construction costs for the Channel Tunnel have risen to about £7.5 billion from less than £5 billion in 1987.

Eurotunnel said last month it would be seeking additional funding of up to £2.5 billion. About 80 percent is expected to be additional syndicated loans and 20 percent equity or other securities.

The new loan by the EIB will be primarily at fixed interest rates for maturities of up 25 years, and its terms will reflect prevailing market conditions, Eurotunnel said.

It said that the banking syndicate had been asked during May to approve the waiver that permits it to continue to draw funds and that by the weekend the necessary 65 percent vote in favor had been achieved.

However, Eurotunnel will be required to continue to satisfy conditions on the project's progress before it can make scheduled drawings of funds in June and in later months.

The Anglo-French group expects the £2.5 billion required to be in place by the end of the year and will write to its shareholders early in June to inform them fully about arrangements for the additional funding.

Hachette To Buy 22% Of Troubled TV Station

Compiled by Our Staff From Dispatches

PARIS — In its first move into French national television, the Hachette SA publishing house is to take a 22 percent stake in La Cinq, the French broadcasting authority said Monday.

The purchase, which Hachette valued at 430 million French francs ($75.9 million), comes as part of a shareholding shakeup in the troubled television channel, which was the object of a four-month battle for control between the publishing baron Robert Hersant and Silvio Berlusconi, the Italian television magnate. The two men, whose firms each own 25 percent of the station, agreed in January to share control.

Hachette and Banque Vernes will take up the stakes in the troubled television channel currently owned by Chargeurs SA, the business newspaper Les Echos, and the Canadian concern Télé Metropole. Chargeurs, which owned 6.9 percent of La Cinq and was not a party to the January agreement, had been expected to look for other investments.

Banque Vernes, the investment house, had approved the January agreement. It will raise its stake in the station to 22 percent from 10.89 percent.

The four-year-old La Cinq, which attracts about 14 percent of the French television audience, has posted a string of losses since its start-up. The network had been targeting a turnaround for this year, but an outside audit commissioned by a former shareholder predicted that La Cinq would not be in the black until 1997. *(AFP, Reuters)*

U.S. Money Laundering Bill Criticized

By Stephen Labaton
New York Times Service

WASHINGTON — In a rush to toughen laws against money laundering, the U.S. government may be stepping on the rights of bank customers, according to civil liberties advocates and some lobbying groups representing bankers.

They object to proposed legislation that would give federal agents enormous latitude in sharing confidential financial information they have obtained from banks.

Under the Right to Financial Privacy Act of 1978, federal agencies cannot exchange bank information with each other unless a customer is first notified and given a chance to object. The important exception to this rule is the Anti-Drug Abuse Act of 1988, which gives agencies including the Internal Revenue Service the authority to transfer bank records they have obtained to the Justice Department without first telling customers.

The administration has proposed a further erosion of the Financial Privacy Act. It is seeking to permit records obtained by any agency to be shared by other agencies without first making a disclosure to customers. The effort is an attempt to help law enforcement authorities pursue illegal narcotics profits that are deposited in banks and other financial institutions.

Congress has turned down previous efforts by the administration to change the privacy law. But Treasury officials said they are again seeking the reforms to assist the Financial Crimes Enforcement Network, created to investigate and help prosecute financial crimes.

The department is worried that the unit, which it set up earlier this year, would be less effective if it were unable to use the records supplied to dozens of other agencies.

Peter K. Nunez, assistant Treasury secretary for enforcement, told the Senate Banking Committee recently that the customer-notice requirement was "cumbersome and does not serve any legitimate privacy interest."

But civil liberties advocates and specialists on privacy said the effect of the proposals would be profound.

'This is the electronic equivalent of a general search.'

Marc Rotenberg, director of the Washington office of *Computer Professionals for* Social Responsibility.

"The whole purpose of giving notice is to provide an individual with the opportunity to test the reason that the records are being sought," said L. Richard Fischer, who represents banks as a partner in the Morrison & Foerster law firm. "This proposal would take away all the external checks for abuse once one agency has obtained records."

The proposal would shield banks from lawsuits by disgruntled customers, but Mr. Fischer said that if it were adopted, banks would be forced to choose between protecting their customers in an effort to keep them and satisfying regulators.

Because much information held by the government is stored electronically, there is concern among some computer specialists that law enforcement officials would be able to easily match computer data from different agencies without first establishing a particular cause for conducting an investigation.

"The underlying notion of the Fourth Amendment is that every search or seizure requires a particular cause," said Marc Rotenberg, director of the Washington office of Computer Professionals for Social Responsibility, a nonprofit advocacy group. "This is the electronic equivalent of a general search."

The main goal of the proposed bill is to regulate money transmitters, store-front operations in many urban areas that send funds abroad from the United States.

State regulators and prosecutors have said the transmitters are virtually unregulated and move vast narcotics profits abroad.

Mexico Extends Anti-Inflation Accord Into 1991

Reuters

MEXICO CITY — Mexico has extended a tough anti-inflation pact into 1991, in what analysts say is a success for President Carlos Salinas de Gortari but a burden on the private sector and a work force struggling to make ends meet.

The extension of the pact, signed Sunday night by government, business and labor leaders, increases the value of the peso against the dollar and implements steep rises in some energy costs. Salaries, however, remain fixed.

"The main thrust of the agreement is to send a clear message to the private sector and the rest of Mexico that the government is taking strong measures in the right direction and that it should be backed up," said Jonathan Heath, an analyst at the Macro Asessoria economic analysis firm.

The agreement follows unusually tough wrangling between the three sectors that had raised doubts on the likelihood of a new accord being reached.

Analysts, however, noted the decision to extend the pact to Jan. 31, 1991, is the longest period so far agreed upon in the 30 months of Mexico's anti-inflation drive. They said the decision represents a success for Mr. Salinas's sweeping economic reform plans.

Sunday's agreement reduces an existing one-peso-per-day devaluation in the exchange rate to 80 cents. It also prompted the state-owned oil company Petroleós Mexicanos to announce that gasoline prices would increase by 6.7 percent.

■ **Carrier Orders Airbus Jets**

Compañia Mexicana de Aviación airlines will buy 16 Airbus A320 jets and has taken an option on 14 more, Agence France-Presse quoted a source close to the company as saying from Mexico City.

The contract is for $1.2 billion, including spare parts, the source said, adding that the Mexican company will order 20 more of the craft within a few weeks, bringing the total to 50.

Mexicana de Aviación serves the Mexican market, the United States, Central America and the Caribbean.

CURRENCY RATES

Cross Rates — May 28

	$	£	D.M.	F.F.	Lira	D.Fl	B.F.	S.F.	Yen	C$	Peseta
Amsterdam	1.8975	3.2085	1.1257	0.3342	0.1536*	—	5.449*	1.3301	1.2653*	1.590	1.806*
Brussels	34.595	58.4025	20.52	6.114	2.8032*	18.29	—	24.349	0.2314	29.245	33.815*
Frankfurt	1.6862	2.844	—	0.297	0.1361*	0.8884	4.8[illegible]*	1.1822	1.1235*	1.419	1.604*
London (a)						Closed					
Madrid	104.51	177.407	62.502	18.587	8.491*	55.428	3.0[illegible]	73.73	70.78*	88.40	—
Milan	1,204.45	2,088.40	734.80	218.33	—	652.58	35.482	859.34	8.258	1,042.90	11.578
New York (b)						Closed					
Paris	5.6895	9.586	3.3679	—	0.4584*	2.9917	0.1636	3.9825	3.784*	4.777	5.397*
Tokyo	149.40	251.16	88.86	26.41	0.1212	78.96	4.3152	104.95	—	126.18	1.4267
Toronto	1.1822	2.0024	0.7042	0.2087	0.9583*	0.6255	3.42*	0.8321	0.7912*	—	1.13*
Zurich	1.4285	2.4002	0.846	0.251	0.1152*	0.7588	4.1658*	—	0.9582*	1.2004	1.3502*
1 ECU	1.2221	0.7216	2.051	6.9171	1,509.86	2.3122	42.2819	1.7372	182.765	1.4461	128.114
1 SDR	1.3204	0.791	2.2300	7.403	1,629.15	2.4976	N.Q.	1.9763	198.459	1.5608	138.192

Closings in London and Zurich, fixings in other centers. New York and Toronto rates at 3 p.m.
*a: To buy one pound; b: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values — *May 25*

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	5108.2	Greek drac.	165.00	Mex. peso	2827.81	S. Afr. rand	2.6505
Austral. $	1.2995	Hong Kong $	7.7835	N. Zealand $	1.7437	Soviet ruble*	0.5964
Austr. schil.	11.79	Indian rupee	17.361	Norw. krone	6.47	Swed. krona	6.089
Brazil cruz.	52.50	Indo. rupiah	1819.01	Phil. peso	22.977	Taiwan $	27.40
Chinese yuan*	4.72	Irish £	0.6289	Port. escudo	147.70	Thai baht	25.72
Danish krone	6.365	Israeli shek.	1.96	Saudi riyal	3.75	Turkish lira	2525.80
Egypt. pound	2.6632	Kuwaiti dinar	0.291	Sing. $	1.867	UAE dirham	3.6727
Fin. markka	3.94	Malay. ring.	2.6955	S. Kor. won	711.80	Venez. boliv.	46.85

*New York rates unless marked * (local rate.)*

Forward Rates — *May 25*

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6807	1.6716	1.6626	Canadian dollar	1.1893	1.1948	1.1995
Japanese yen	149.47	149.35	149.19	Swiss franc	1.4236	1.4232	1.4229
Deutsche mark	1.6822	1.6819	1.6818				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Hotel Debts Mount as China's Tourism Industry Fails to Bounce Back

By Sheryl WuDunn
New York Times Service

GUILIN, China — Crippled by the collapse of China's tourism industry, foreign-financed hotels across the country are struggling to meet their debt payments.

In large cities like Beijing and Shanghai, hotel occupancy rates have been increasing slowly as business executives return.

But in tourist spots like this southern Chinese city, or Xian, in central China, business remains abysmal since Chinese soldiers killed hundreds of citizens in the center of Beijing last June 3 and 4. As the government cracked down on the prodemocracy movement, tourism collapsed.

The continued dearth of tourists, and an oversupply of lodging, means the financial prospects of the hotel industry remain dim, at least for the short term.

Hotels throughout the country have started delaying or missing payments of interest or principal, and in some cases, Chinese guarantors have covered the loan repayments. Some bankers say at least 40 percent of all hotel loans in China will need to be renegotiated.

This could involve up to $1 billion in loans, as well as additional interest payments that could reach $50 million. These sums are still tiny in contrast to the nation's overall foreign debt, which China said stood at $41.3 billion at the end of last year. Bankers and economists

A year after the crackdown in Beijing, Japanese companies remain wary about investing in China out of fears of instability. Page 19.

say that despite the liquidity problems for hotels, China is expected to be able to repay loans taken by its central government without significant difficulty.

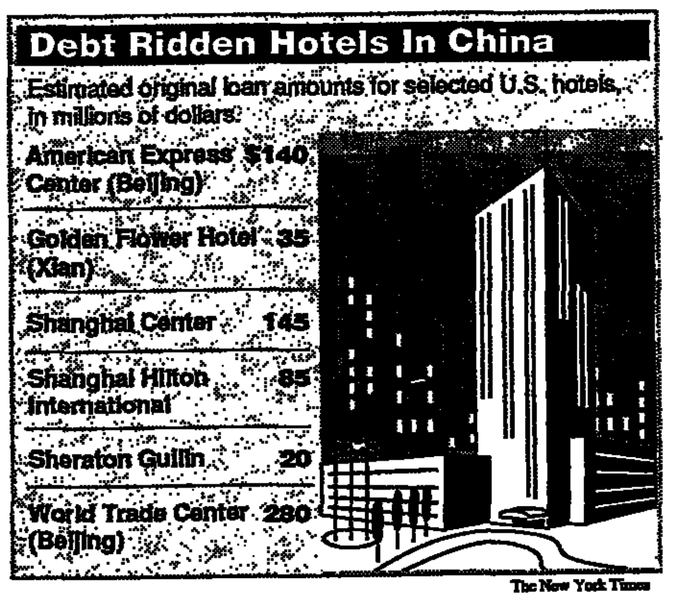
Bankers say the hotel debts raise the question of whether the Chinese government will ultimately stand behind loan guarantees issued by local governments and agencies.

It has been taken for granted that the central government stands behind the debts of the Bank of China and other central government agencies, but it has never been entirely clear to what extent Beijing will pay back debts incurred by municipalities and local government entities. Some bankers are asking whether all foreign debt to China could be considered sovereign debt.

"Nineteen-ninety is crunch time for China, and they have to repay," said a Western banker in Beijing. "If they don't, people won't treat China as a sovereign risk and will demand more security. This year is an interesting, serious phase, and that's why bankers are sitting on the fence."

At the Guilin Sheraton Hotel, a joint venture between a Hong Kong investor and a Chinese group, revenue has dropped so low that the owners have missed payments and the bankers have filed a lawsuit in a Hong Kong court to get their money back. The Chinese group has hired Shearson Lehman Hutton Asia Holdings Ltd. to try to settle the matter out of court, possibly by finding new investors.

"With our current income, we can't repay," Zhang Fuxi, the Chinese chairman of the venture, said in an interview in the nearly empty hotel. "I hope we can work together with the bankers to find a way out."



The New York Times

INTEREST RATES

Eurocurrency Deposits — May 25

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU	SDR
1 month	8⅛-8¼	7⅞-8	[illegible]	14 15/16-15 1/16	9 [illegible]	7 [illegible]	10-10⅛	8⅝
2 months	8 [illegible]	8-8⅛	[illegible]	14 15/16-15 1/16	9⅝-9¾	7¼-7⅜	10 [illegible]	8 [illegible]
3 months	8¼-8⅜	8⅛-8¼	[illegible]	15-15⅛	9 [illegible]	7¼-7⅜	10⅛-10¼	8 [illegible]
6 months	8⅜-8½	8⅜-8½	[illegible]	15-15⅛	9 [illegible]	7¼-7⅜	10⅜-10½	9 [illegible]
1 year	8⅝-8¾	8¾-8⅞	[illegible]	14 [illegible]	10 [illegible]	7 [illegible]	10⅝-10¾	9¼

Sources: All Reuters except ECU: Lloyds Bank.
Rates applicable to interbank deposits of $1 million minimum (or equivalent).

Key Money Rates — May 28

	Close	Prev.
United States		
Discount rate	7.00	7.00
Prime rate	10.00	10.00
Federal funds	Clsd	8⅛
Com paper 30-179 days	—	8.00
3-month Treasury bills	—	7.74
6-month Treasury bills	—	7.74
1-year Treasury bills	—	7.66
30-year Treasury bond	—	8.57
2-month CD's	—	7.75
3-month CD's	—	7.80
Japan		
Discount rate	5¼	5¼
Call money	7 7/32	7¼
1-month interbank	7 5/16	7 5/16
3-month interbank	7¼	7 9/32
West Germany		
Discount rate	6.00	6.00
Lombard rate	8.00	8.00
Call money	7.90	7.90
1-month interbank	8.15	8.15
3-month interbank	8.30	8.30
6-month interbank	8.60	8.65
Britain		
Bank base rate	15.00	15.00
Call money	Clsd	15
3-month interbank	—	15 3/32
6-month interbank	—	15 3/32
France		
Intervention rate	9½	9½
Call money	9 15/16	9 13/16
1-month interbank	9⅞	9⅞
3-month interbank	9 11/16	9⅝
6-month interbank	9⅝	9⅝

Sources: Reuters, Salomon Brothers, Bank of Tokyo, Commerzbank, Crédit Lyonnais.

Asian Dollar Deposits — May 28

1 month	8 [illegible] - 8 [illegible]
2 months	8¼ - 8⅜
3 months	8¼ - 8⅜
6 months	8⅜ - 8½
1 year	8⅝ - 8¾

Source: Reuters.

U.S. Money Market Funds — May 25

Merrill Lynch Ready Assets
30-day average yield: 7.85
Telerate Interest Rate Index: 8.138
Source: Merrill Lynch, Telerate.

GOLD

May 28

	A.M.	P.M.	Ch'ge
Hong Kong		Closed	
Luxembourg	367.45	—	+0.70
Paris (12.5 kilo)	368.52	369.31	+1.45
Zurich	367.45	367.75	+1.00
London		Closed	
New York	—	Closed	

Luxembourg, Paris and London official fixings; Hong Kong and Zurich opening and closing prices; New York spot market close. All prices in U.S. $ per ounce.
Source: Reuters.

Dollar Falls Below 150 Yen In Tokyo, Drifts in Europe

Compiled by Our Staff From Dispatches

FRANKFURT — The dollar closed lower against the Deutsche mark and the pound on Monday, but was virtually unchanged against the yen in very quiet European trade, with British and U.S. markets closed for holidays.

"There are no external factors giving any direction to our market, and on our own we cannot do much," one dealer said.

Earlier in Tokyo, the dollar had fallen below the 150 yen level for the first time in nearly three months.

In Frankfurt, the dollar closed at 1.6790 DM, down from Friday's New York close of 1.6827 DM and the Friday close in Frankfurt of 1.6825.

Dealers said uncertainty continued to brew in the market about the possible effects of German monetary union on mark stability.

The pound firmed slightly against the dollar, trading at $1.6938 in the afternoon, after Friday's New York close of $1.6905.

Dealers said the pound continues to benefit from relatively high U.K. interest rates.

Trade was expected to remain quiet this week, with U.S. leading indicators data due on Wednesday seen unlikely to affect exchange rates.

In Tokyo the dollar closed at 149.45 yen, down from Friday's close of 150.05 yen.

The dollar last closed below 150 yen in Tokyo on March 6. In New York on Friday, the dollar closed at 149.40 yen, down from 151.15 yen on Thursday.

A dealer said the technical adjustments and cross-trading of the mark against the yen exerted downward pressure on the dollar. As more marks were sold for yen, pushing the mark down, more dollars were sold as well.

(Reuters, AP)

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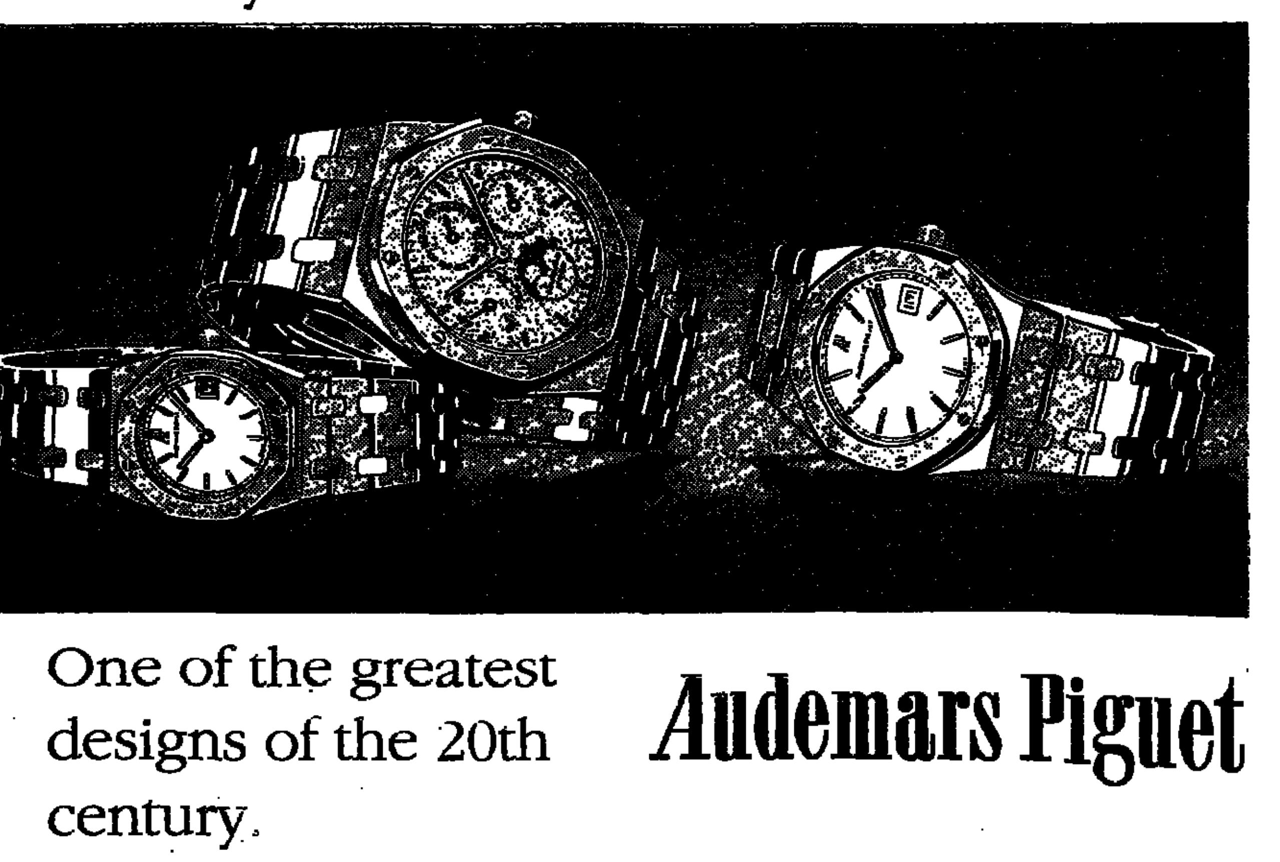

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WORLD STOCK MARKETS

Agence France Presse May 28

Amsterdam

	Close	Prev
ABN Bank	37	37.30
ACF Holding	37.70	37.50
Aegon	122.50	123
Ahold	143.50	143.80
Akzo	117.70	117.60
AMEV	58.50	58.50
A'Dam Rubber	5.20	5.20
Amro Bank	73.50	74.10
Bols	183.50	179
Buhrmann Tett	68.60	68.40
BVG	24	24
Center Parcs	56.70	57
CSM	82.90	83.90
DAF	29.70	29.60
DSM	116.30	116.20
Elsevier	86.10	86.10
Fokker	49.10	49.10
Gist-Brocades	33.90	33.50
Heineken	127	127
Hoogovens	75.70	75.40
Hunter Douglas	104.80	104.80
IHC Caland	48.80	48.50
Inter Mueller	92	92.50
KLM	34.20	34.30
KNP	46.70	46.90
Nat Neder	75.40	54.50
Nedlloyd	84.30	84.30
NMB Bank	54	54.20
Oce Grinten	62	N.A.
Pakhoed	187.50	187.60
Philips	33.80	33.40
Robeco	99.10	98.80
Rodamco	80.20	80.10
Rolinco	99.20	98.80
Rorento	58.80	N.A.
Royal Dutch	142.40	143
Unilever	150.10	150
Van Ommeren	37.70	37.80
VMF Stork	55.70	N.A.
VNU	98.20	98.50
Wessanen	74.50	74.50
Wolters/Kluwer	55.70	55.30

CBS Gen'l Trend Index : 119.30
Previous : 119.40

Brussels

	Close	Prev
AG Fin	9310	9350
Arbed	5090	5110
Bekaert	N.A.	15325
Cockerill	197	195
Cobepa	N.A.	5650
Delhaize	6170	5900
EBES	3925	3955
GB-Inno-BM	1386	1366
GBL	3995	4000
Gevaert	8570	8780
Hoboken	18650	18650
Intercom	3250	3250
Kredietbank	3985	3995
Petrofina	11625	11550
Royal Beige	5640	5560
Soc Gen Bque	N.A.	4905
Soc Gen (resrv)	3250	N.A.
Sofina	13050	12950
Solvay	14025	13650
Tractebel	N.Q.	8700
UCB	22575	22100
Unerg Ps	2410	2440

Current Stock Index : 6178.85
Previous : 6156.68

Frankfurt

	Close	Prev
AEG	297	298
Allianz Hold	2520	2500
Altana	449	449.50
Asko	910	908
BASF	293.70	292.50
Bayer	297.80	296.80
Bay. Hypo bank	N.A.	—
Bay Vereinsbk	373	370
BBC	700	700
BHF Bank	454	455
BMW	N.Q.	—
Commerzbank	275	276.50
Continental	290.50	285.50
Daimler Benz	813	813
Degussa	464	468
Dt Babcock	210.50	213
Deutsche Bank	773.50	775
Douglas	816	820
Dresdner Bank	414	427.50
Feldmuehle	513.70	513.50
Harpener	470	474
Henkel	606	609.50
Hochtief	1310	1330
Hoechst	285.50	284.10
Hoesch	347	340
Holzmann	1490	1485
Horten	280	286
IWKA	410	410
Kali Salz	256	257
Karstadt	682	686
Kaufhof	656	652
KHD	270	272
Kloeckner Werke	217	256
Krupp Stahl	410	420
Linde	993	1000
Lufthansa	175	172
MAN	514	463
Mannesmann	362	361.50
Metallgesell	615	617.20
Muench Rueck	2260	N.Q.
Nixdorf	329	325.50
PKI	534	535
Porsche	1125	1120
Preussag	453	456
PWA	320.20	321
RWE	480	476
Rheinmetall	451	449.50
Schering	801.30	807
SEL	388.80	391.50
Siemens	720	719.30
Thyssen	289	291.50
Varta	385	384
Veba	424	421
VEW	220.50	222.70
Viag	411.20	411
Volkswagen	599	591
Wella	780	786

DAX Index : 1828.96
Previous : 1823.17
FAZ Index : 773.66
Previous : 774.78

Helsinki

	Close	Prev.
Amer A	120	120
Enso-Gutzeit	30.70	31
K.O.P.	50.50	51
Kymmene	95	97.50
Nokia	96	102
Pohjola	195	191
Stockmann	N.Q.	285
United Papers	151	157
Wartsila	420	410

Unitas Index : 571.40
Previous : 575.30

Markets Closed

The stock markets in Hong Kong and London were closed Monday for a holiday.

Johannesburg

	Close	Prev.
AECI	17.50	17.50
Altech	64	62
Anglo Amer Corp	130	130.75
Barlows	37.75	38.25
Blyvoor	11	11.25
Buffels	63	63
GFSA	80	80.50
Harmony	27.50	27.50
Highveld Steel	17.25	17.25
Kloof	38.50	38
Nedbank Grp	10.15	10.25
Rusplat	90	89.75
SA Brews	38.50	38.50
St Helena	41	41
Sasol	12.50	12.45
Welkom	24	24
Western Deep	139	140

Composite Stock Index : 3163
Previous : 3171

Madrid

	Close	Prev.
Bco. Bilbao/Viz.	3135	3145
Banco Central	4800	4770
Bco. Santander	4540	4570
Banesto	3880	3900
Dragados	3135	3055
Iberduero	645	650
Telefonica	809	812

S.E. General Index : 280.61
Previous : 281.41

Milan

	Close	Prev.
Banca Comm	5238	5230
Bastogi	352.50	354
Cigahotels	5870	5899
CIR	5625	5690
Cred Ital	2745	2761
Enimont	1440	1450
Eridania	9800	9770
Ferruzzi Fin.	3130	3144
Ferruzzi Agr.	2535	2585
Fiat SPA	10490	10530
Generali	42850	42950
IFI	30200	30450
Italcem	14300	14270
Italgas	2840	2840
Italmobiliare	2195a	2191a
Mediobanca	21900	22200
Montedison	2012	2022
Olivetti	7220	7250
Pirelli	2860	2875
RAS	25000	N.A.
Rinascente	7600	7480
Saipem	3046	3085
SIP	1606	1601
SME	4160	4200
Snia	2630	2640
Standa	32650	32650
Stet	6435	6410
Toro Assi Risp	23945	23790

a: x 100.
MIB current Index : 1075.30
Previous : 1078.80

Montreal

	Close	Prev.
Alcan Aluminum	25	24⅞
Bank Montreal	25½	25⅜
Bell Canada	38⅛	N.Q.
Bombardier A	17⅛	17½
Bombardier B	17½	17⅝
Cambior	14½	N.Q.
Cascades	4.05	N.Q.
Dominion Text A	11½	11¼
Donohue	11	11¼
MacMillan Bl	17½	N.Q.
Memotec	8¼	8½
Natl Bk Canada	8½	8¼
Noverco	14½	14⅛
Power Corp.	14⅜	N.Q.
Provigo	8½	8¼
Quebec Tel	14⅜	14½
Quebecor A	N.Q.	—
Quebecor B	10⅝	10⅝
Videotron	12¼	12¼

Industrials Index : N.A.
Previous : 1587.89

Paris

	Close	Prev.
Accor	995	990
Air Liquide	738	742
Avions Dassault	500	495
Bancaire (Cie)	646	647
BIC	605	606
Bongrain	3405	3450
Bouygues	679	665
BSN-GD	890	887
Carrefour	3775	3777
Cerus	397.50	404
C.G.E.	631	631
Chargeurs	1093	1100
Club Med	660	650
Dumez	636	642
Elf-Aquitaine	696	706
Europe 1	1415	1417
Gen. Eaux	2750	2740
Hachette	414	416.50
Havas	695	680
Imetal	365	375
Lafarge Coppee	472.50	471.50
Legrand	4500	4490
Oreal (L')	5440	5420
L.V.M.H.	4669	4626
Matra	413	413.50
Merlin Gerin	6290	6300
Michelin B	130.80	128.50
Moulinex	122.50	124.50
Occidentale	780	781
Paribas	678	678
Pernod-Ricard	1269	1268
Perrier	1764	1760
Peugeot	835	838
Printemps (Au)	716	718
Radiotechnique	706	720
Raff. St. Louis	1600	1600
Redoute (La)	3340	3330
Roussel Uclaf	2305	2327
Saint Gobain	588	583
Sanofi	1040	1030
Skis Rossignol	1080	1084
Ste Generale A	616	615
Suez	469.60	472
Telemecanique	5050	5050
Thomson-CSF	128.40	128.20
Total	690	701
Valeo	636	645

CAC 40 Index : 2114.39
Previous : 2111.90

Sao Paulo

	Close	Prev.
Banco do Brasil	12	12.40
Bradesco	0.68	0.68
Brahma	2.92	3.10
Paranapanema	0.62	0.67
Petrobras	124	133
Vale Rio Doce	49.50	51
Varig	14.70	14.40

Bovespa Index : 14549
Previous : 15011

Singapore

	Close	Prev.
Cerebos	N.Q.	—
City Dev.	3.60	3.66
DBS	13.60	13.50
Fraser Neave	9.75	9.75
Genting	9.40	9.40
Harrisons Plant	1.71	1.72
Haw Par	2.71	2.73
Hume	3.52	3.52
Inchcape	5.55	5.65
Keppel	7.85	7.90
KL Kepong	3.16	3.26
Lum Chang	1.54	1.57
Malayan Banking	9	9.10
OCBC	8.70	8.75
OUB	4.78	4.78
OUE	9.80	9.90
Sembawang	7.30	7.40
Shangrila	8.15	8.40
Sime Darby	2.88	2.90
SIA	13.50	13.60
S'pore Land	N.Q.	14.70
S'pore Press	7.90	7.95
Sing Steamship	3.78	3.82
Straits Trading	3.50	3.54
UOB	5.50	5.50
United Overseas	2.17	2.19

Straits Times Ind. : 1557.33
Previous : 1565.35

Stockholm

	Close	Prev.
AGA	300	285
Alfa Laval	248	252
Asea	765	748
Astra -A	539	505
Atlas Copco	348	344
Electrolux B	243	242
Ericsson	1160	1140
Esselte-A	230	225
Handelsbanken	116	117
Pharmacia-A	N.Q.	210
Norsk Hydro	202.50	204.50
Saab-Scania	280	N.Q.
Sandvik	295	298
SCA-A	135	135
S-E. Banken	80.50	79.50
Skandia Int-A	N.A.	—
Skanska	518	525
SKF	166	164
Stora	343	341
Volvo	341	350

Affaersvaerlden : 1231.10
Previous : 1215.40

Sydney

	Close	Prev.
ANZ	4.93	4.86
BHP	9.10	9.02
Bond	0.15	0.13
Boral	3.49	3.47
Bougainville	1.10	1.12
Coles Myer	7.14	7.14
Comalco	4.08	4.03
CRA	11.80	11.75
CSR	5.16	5.12
Dunlop	4.76	4.77
Elders IXL	1.35	1.35
ICI Australia	4.50	4.45
Magellan	1.55	1.55
MIM	2.21	2.21
Nat Aust Bank	6.42	6.40
News Corp	10.25	10.25
N Broken Hill	2.23	2.20
Poseidon	2.45	2.45
QCT Resources	1.40	1.39
Santos	4.31	4.35
TNT	2.48	2.50
Western Mining	4.48	4.40
Westpac Banking	4.92	4.89
Woodside	2.90	2.90

All Ordinaries Index : 1485.20
Previous : 1477.20

Tokyo

	Close	Prev.
Akai Electr	1000	1030
Asahi Chemical	937	929
Asahi Glass	1890	1880
Bank of Tokyo	1490	1430
Bridgestone	1550	1530
Canon	1760	1770
Casio	1630	1630
C.Itoh	955	941
Dai Nippon Print	1970	1960
Daiwa House	2370	2360
Daiwa Securities	1710	1660
Fanuc	7200	7200
Fuji Bank	2850	2850
Fuji Photo	4080	4080
Fujitsu	1450	1430
Hitachi	1560	1560
Hitachi Cable	1100	1090
Honda	1790	1800
Ito Yokado	4150	4150
Japan Air Lines	17800	18000
Kajima	1930	1860
Kansai Power	4050	4050
Kawasaki Steel	665	655
Kirin Brewery	1810	1810
Komatsu	1200	1170
Kubota	1100	1090
Kyocera	7710	7600
Matsu Elec Inds	2180	2160
Matsu Elec Wks	2050	2080
Mitsubishi Bk	2570	2550
Mitsubishi Kasei	809	804
Mitsubishi Elec	1010	982
Mitsubishi Hev	1050	1070
Mitsubishi Corp	1610	1580
Mitsui and Co	1080	1060
Mitsukoshi	1910	1880
Mitsumi	1540	1530
NEC	2060	2040
NGK Insulators	1590	1550
Nikko Securities	1420	1390
Nippon Kogaku	1550	1550
Nippon Oil	1170	1170
Nippon Steel	635	640
Nippon Yusen	955	965
Nissan	1180	1170
Nomura Sec	2580	2480
NTT (SF)	11193	11329
Olympus Optical	1560	1570
Pioneer	6050	6078
Ricoh	1140	1130
Sanyo Elec	996	948
Sharp	1800	1770
Shimazu	1210	1230
Shinetsu Chem	1710	1680
Sony	8600	8550
Sumitomo Bk	2710	2670
Sumitomo Chem	710	718
Sumi Marine	1190	1170
Sumitomo Metal	655	650
Taisei Corp	1410	1370
Taisho Marine	1200	1160
Takeda Chem	1800	1790
TDK	6670	6660
Teijin	785	775
Tokyo Marine	1600	1580
Tokyo Elec Pw	4990	5050
Toppan Printing	1840	1840
Toray Ind.	840	843
Toshiba	1110	1090
Toyota	2460	2470
Yamaichi Sec	1460	1400

Nikkei 225 : 33192
Previous : 32794
Topix Index : 2434
Previous : 2420

Toronto

	Close	Prev
Abitibi Price	N.Q.	—
Agnico Eagle	7¾	7⅞
Air Canada	9½	8⅝
Alberta Energy	16½	16½
Am Barrick Res	22	22
BCE	38⅛	38⅝
BCED	N.Q.	0.36
Bk Nova Scotia	12⅞	12⅞
BC Gas	14⅛	14⅛
BC Phone	N.Q.	18⅛
BP Canada	N.Q.	18⅛
Bramalea	13	13¼
Brunswick	9⅝	N.Q.
CAE	N.Q.	6
Campeau	1.72	1.73
CIBC	26⅝	26⅛
Canadian Pacific	21¼	21⅛
Can Packers	N.Q.	13⅛
Can Tire A	21⅞	21⅞
Cantor	N.Q.	—
Cara	N.Q.	16¼
CCL Ind B	9⅛	9⅛
Cineplex	6⅛	6
Cominco	26	26¼
Conwest Expl A	N.Q.	14
Corona A	8⅝	8⅝
Denison Min B	1⅛	1⅛
Dickenson Min A	N.Q.	4⅛
Dofasco	22	21⅝
Dylex A	6¼	6⅝
Echo Bay Mines	15⅝	15½
Equity Silver A	2	2.10
FCA Intl	N.Q.	9⅝
Fed Ind A	12⅝	12⅞
Fletcher Chall A	16¼	16¼
FPI	5	5
GoldCorp	N.Q.	4.60
Grafton Group	N.Q.	—
Gulf Cda Res	15¼	15½
Hees Intl	23⅞	23⅞
Hemlo Gld Mines	14½	14¼
Hollinger	11⅜	11¼
Horsham	N.Q.	—
Hudson Bay	N.Q.	6⅞
Imasco	N.Q.	35⅝
Inco	30⅝	30⅞
Interhome	47½	47¼
Jannock	16⅛	16⅛
Labatt	20⅝	16⅛
Loblaw Co	15⅝	15¼
Mackenzie	7½	7⅜
Magna Intl A	3.60	N.Q.
Maritime	16⅝	16¼
Mark Res	11¼	11⅛
MacLean Hunt X	N.Q.	—
Molson A	37⅝	37⅞
Noma Ind A	N.Q.	—
Noranda	N.Q.	18⅞
Noranda Forest	10¾	10¾
Norcen Energy	24½	24½
Nova Corp	8	8
Oshawa	31¼	31⅛
Pagurin A	N.Q.	7⅝
Placer Dome	N.Q.	19
Poco Petroleum	6¼	6⅞
PWA Corp	10⅝	10½
Quebec Sturgeon	N.Q.	1
Rayrock	N.Q.	9⅝
Renaissance	N.Q.	27¼
Rogers B	7½	7⅝
Rothmans	N.Q.	64
Royal Bank Can	N.Q.	21⅛
Royal TrustCo	14½	14½
Sceptre Res	3.45	N.Q.
Scott's Hosp	16	16
Seagram	100⅝	101⅝
Sears Can	11⅝	N.Q.
Shell Can	38	38⅛
Sherritt Gordon	7⅛	N.Q.
SHL Systemhse	6⅜	6½
Southam	23⅝	23⅝
Spar Aerospace	N.Q.	8⅝
Stelco A	16⅜	16¼
Teck B	25	25
Thomson News	14¼	14⅛
Toronto Domn	17¼	17
Torstar B	27	27⅜
Transalta Util	12⅞	12⅞
TransCda Pipe	15⅝	15½
Trilon Finl A	18	17⅞
Trimac	N.Q.	7
Trizec A	N.Q.	18⅞
Turbo Resources	0.43	0.43
Unicorp A	N.Q.	—
Woodward's Ltd	1.40	N.Q.

TSE 300 Index : 3499.80
Previous : 3496.20

Zurich

	Close	Prev
Adia Intl	1590	1580
Alusuisse	1325	1330
Bank Leu	2410	2450
Brown Boveri	5925	5900
Ciba Geigy	3280	3270
CS Holding	2430	2410
Elektrow	3100	3080
Fischer	2350	2350
Interdiscount	4500	4500
Jacobs Suchard	N.A.	7175
Jelmoli	2310	2300
Landis Gyr	1390	1390
Moevenpick	5725	5175
Nestle	8858	8858
Oerlikon-B	970	975
Pargesa Hld	1468	1430
Roche Holding B	4025	3980
Sandoz	2190	2210
Schindler	6850	6900
Sulzer	725	720
Surveillance	5200	5250
Swissair	990	970
SBC	317	315
Swiss Reinsur	580	573
Swiss Volksbank	1660	1600
Union Bank	3520	3480
Winterthur	3850	3800
Zurich Ins	2080	2060

SBS Index : 656.70
Previous : 654.50

WORLD STOCKS IN REVIEW
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A CONCISE OVERVIEW OF TRADING ON MAJOR WORLD STOCK MARKETS DURING THE PREVIOUS WEEK AND A LOOK AT LIKELY DEVELOPMENTS AHEAD.
ESSENTIAL READING FOR INVESTORS AND PROFESSIONALS —WORLDWIDE

EUROPE

Amro and ABN to Issue Shares After Merger

Reuters

AMSTERDAM — Amsterdam-Rotterdam Bank NV and Algemene Bank Nederland NV said Monday that they planned a 1.3 billion guilder ($687.3 million) rights issue of preferred stock and a share swap as part of their planned merger.

The banks added that they expected to complete the proposed merger, which will create the sixth largest bank in Europe, in the third quarter of 1990.

The banks announced in March they planned to merge. Combined, the institutions would have a 1989 balance sheet of 352.9 billion guilders.

The two will set up a jointly controlled new holding company, ABN Amro Holding NV, with two operating subsidiaries, ABN and Amro. The two banks would be fully merged within four years at most, the banks said.

After a delayed opening on the Amsterdam bourse due to the announcement, the shares of both banks were little changed. ABN was down .30 guilder to 37 guilders, while Amro fell 0.60 guilders to 73.50.

"Negotiations between ABN Bank and Amro bank have progressed to the point where the expectation is justified that agreement can be reached on a full merger on the basis of equality," a statement said.

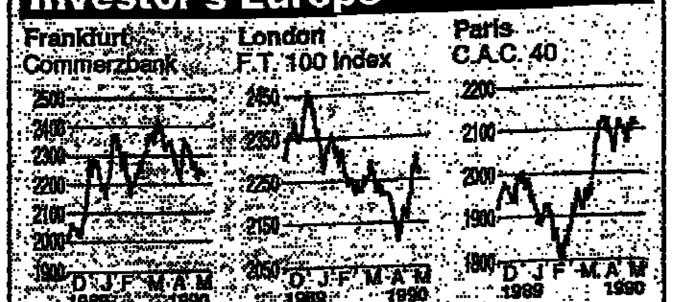
It added that shareholders in the two banks would be asked to exchange their shares for stock in the new holding company.

The banks said that shareholders who accept would be given the right to subscribe to the same amount of new, preferred shares.

The dividend on the preferred shares will be based on the effective yield of Dutch state bonds with long maturities, the statement said.

Depending on when the merger is actually completed, regular ABN Amro Holding NV shares may be entitled to both the interim and final 1990 dividend.

Investor's Europe



Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	CBS Trend	119.30	119.40	-0.08
Brussels	Stock Index	6178.85	6156.68	+0.36
Frankfurt	Commerzbank	2237.10	2242.80	-0.25
Frankfurt	DAX	1828.96	1823.17	+0.32
Helsinki	UNITAS	571.40	575.30	-0.68
London	Financial Times 30	Closed	1800.00	—
London	FT-SE 100	Closed	2265.60	—
Madrid	General Index	280.61	281.41	-0.28
Milan	MIB	1075.30	1078.80	-0.32
Paris	CAC 40	2114.39	2111.90	+0.12
Stockholm	Affaersvaerlden	1231.10	1215.40	+1.29
Zurich	SBS	656.70	654.50	+0.34

Source: AFP
International Herald Tribune

Electrolux Bidding For Whirlpool Unit

Reuters

STOCKHOLM — The Swedish household appliance maker AB Electrolux said Monday that it was making a tender bid for the vacuum cleaner unit of Whirlpool Corp.

An Electrolux spokesman, Sven Sundling, said several companies were involved in the bidding, but gave no names. The outcome of the tender is due later this summer, he said. He declined to comment on a press report that Electrolux had offered 500 million kronor ($82.1 million) for the unit.

France Telecom Cable Stake

Reuters

PARIS — France Telecom, the state-owned telephone agency, is to take a 10 percent stake in the cable television subsidiary of Lyonnaise des Eaux, the concerns said Monday. The companies did not say how much money was involved, but they added that France Telecom would have an option to raise its stake to 25 percent.

Veba Profits Rose by 20% To Record Level Last Year

Compiled by Our Staff From Dispatches

DUSSELDORF — The diversified West German utility Veba AG said Monday its net consolidated profit rose 19.8 percent last year, to a record 1.34 billion Deutsche marks ($797 million), from almost 1.12 billion DM in 1988.

The revised figure was higher than a provisional estimate of profit at 1.25 billion DM, which was given by the group in March.

Veba said profits this year could surpass 1989's record.

The board chairman, Klaus Piltz, told the annual news conference that Veba was not considering a capital rise this year or next, despite an investment program of 23.5 billion DM over the next five years, excluding investments in East Germany.

This year alone, Veba plans total investments of 7.1 billion DM, up from 4.37 billion DM in 1989.

Of the five-year investment program, 3 billion DM is earmarked for financial investments, with the remaining 20.5 billion DM for fixed asset investments, Mr. Piltz said.

He added that he did not have any specific acquisitions in mind, although these would probably be in the chemical field.

Sales from Veba's chemical division, Huels AG, rose to 8.83 billion DM in 1989 from 8.14 billion DM the year before. The divison's sales made up almost 18 percent of Veba's 1989 sales of 49.21 billion DM.

Mr. Piltz said it was too early to assess how much Veba would invest in East Germany. However, he referred to the 3.2 billion DM joint project with Bayernwerk AG to build two new power plants and two power lines in East Germany.

He also revealed that 43 percent of Veba's share capital was owned by almost 20,000 foreign shareholders, according to a study of its shareholders carried out in February.

(Reuters, AFP)

Oil Companies End Norwegian Share Dispute

Reuters

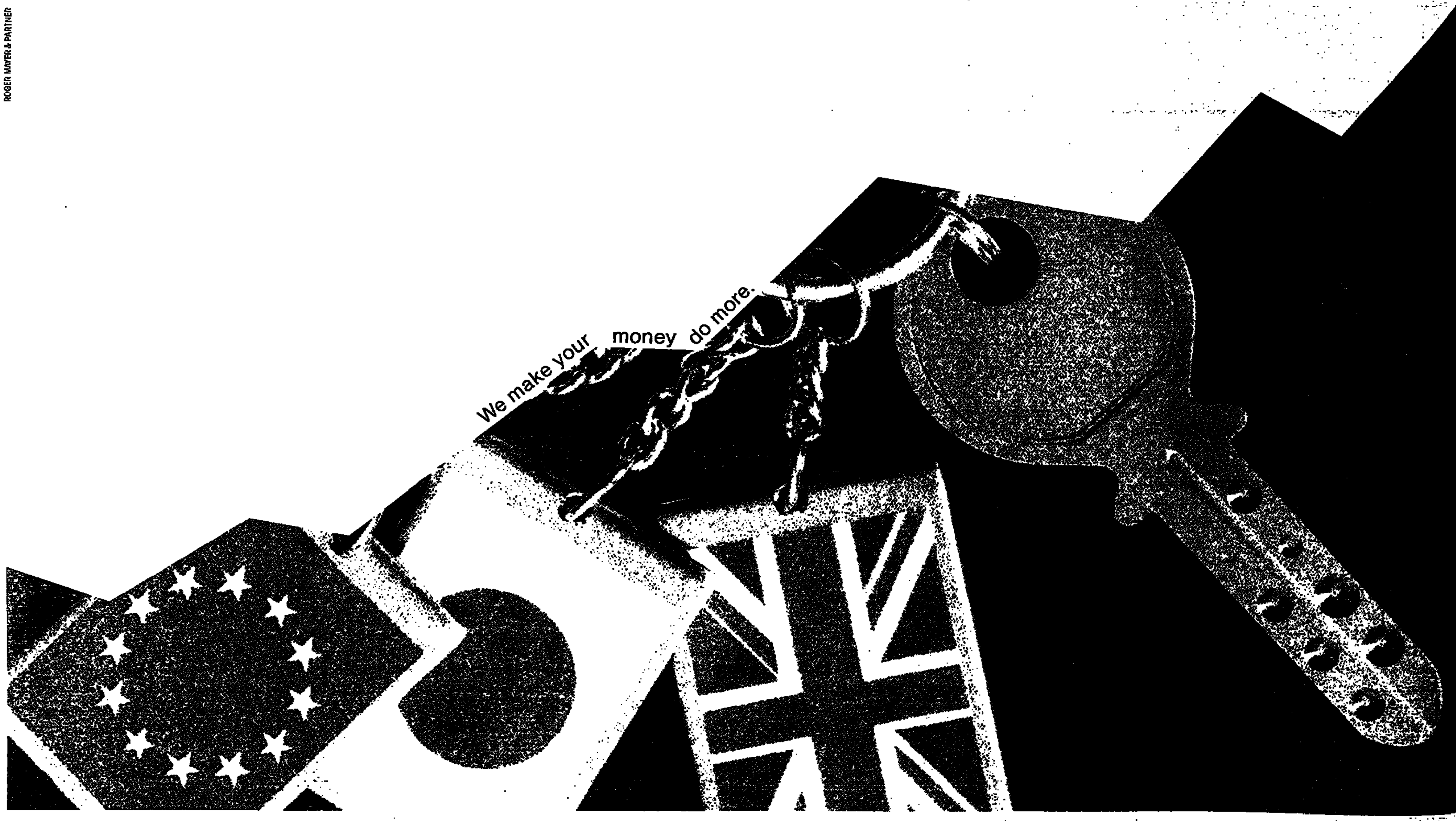
OSLO — A long-running dispute between two rival Norwegian oil firms was resolved on Monday when the country's biggest private oil firm, Saga Petroleum AS, said it approved Norsk Hydro AS's purchase of 9 percent of its shares.

Saga blocked the purchase in February, saying it was against its interest for state-controlled Hydro to own such a big stake.

But the Oslo bourse threatened to stop listing Saga unless it let Hydro buy the stock, increasing its total stake to 13 percent.

Saga said Hydro had given assurances that it had no plans to buy more than 13 percent in Saga, nor did it expect representation in running Saga.

ROGER MAYER & PARTNER



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هكذا من الأصل

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Breakfast With the Boss in South Korea

By Sam Jameson
Los Angeles Times Service

KUJE ISLAND, South Korea — Kim Woo Choong, founder and chairman of Daewoo Corp., said he had met each of the thousands of workers at the debt-burdened shipyard that his multibillion-dollar conglomerate operates here.

These days, he is accepting invitations to breakfast with workers' families, and he is visiting their apartments, he added in an interview.

"What are your complaints?" he has asked them all. And he said he has investigated and corrected, or at least addressed, each concern he has heard.

The extraordinary attention that Mr. Kim is paying to the 10,000 workers at Daewoo's shipyard is unprecedented in South Korea, a nation with a history of authoritarian governments and suppression of labor.

Last year, so massive was the shipyard's accumulated debt — more than $1 billion — and so serious the labor strife that Mr. Kim, 53, felt compelled to move here from Seoul to assume leadership of the shipyard himself. He also had to threaten to let the company go bankrupt to win 11th-hour concessions from the union as a condition for government help.

But now his approach symbolizes the new labor-management era that has developed since 1987, when President Roh Tae Woo promised in his election campaign to democratize the country. Wages have soared more than 20 percent each year for the past three years, impairing South Korea's international competitiveness and turning an export boom into a decline.

Signs of moderation like those at the Daewoo shipyard are spreading nationwide, although concern about potential trouble remains. Through late May, the Labor Ministry reported, the number of labor disputes was down more than 80 percent, compared with last year. Average wage increases of 8.5 percent had been approved, compared to an average of 17.3 percent during the same period last year, the ministry said.

Even Kim Young Bae, acting president of the militant Democratic Labor Union Federation, which Mr. Roh's government has refused to recognize, said the federation's 600 unions are seeking wage increases of only 20 percent to 25 percent, compared with last year's average demand of 33 percent.

A get-tough policy adopted by Mr. Roh and the belief that steep wage increases are creating a crisis is persuading workers to moderate their demands, the labor federation's leader acknowledged.

Lee Won Duck, special adviser to the labor minister, agreed. "A consensus between labor and management is developing that the Korean economy is facing difficult times," he said.

Fundamental problems remain, however, and "labor has awakened," Kim Young Bae said, adding that more unions have been formed since 1987 than in the previous decade.

Even more unionization is likely, according to Professor Park Young Ki of Sogang University's Institute for Labor and Management. For that reason, he said, it is important that the country come up with "a labor law that can be accepted by both labor and management." He added, "We still haven't established rules of the game."

Under current labor law, all disputes, in effect, are treated as illegal, Mr. Park said. Moreover, he charged, government and management still refuse to accept unions as partners instead of enemies. Many union leaders, including the president of Mr. Kim's federation, have been arrested.

Mr. Park warned that hostility toward unions may give employees a negative attitude toward work, diminishing productivity. Americans here also fault South Korean businessmen for relying too heavily on cheap labor and failing to bolster productivity by installing labor-saving devices.

Nonetheless, change already borders on the revolutionary. Until 1987, workweeks of 66 hours were the norm at all Daewoo plants, with overtime paid beyond 48 hours. Now "workers won't accept more than two hours overtime a day," Kim Woo Choong said.

"For planning purposes, we count on 2,200 hours of work per employee a year — almost the same as Japan," he said.

Hyundai Workers Return

Reuters

SEOUL — Most union members at South Korea's biggest car manufacturer resumed work on Monday, ending a strike that had shut down operations for the past two weeks. But a few hundred hardliners remained on strike and handed out leaflets opposing the settlement.

A spokesman at the Hyundai Motor Co. said about 96 percent of the 17,000-strong work force showed up to work at the company's factories in southeastern Ulsan.

Management and union leaders agreed last Thursday to raise various allowances by 3,800 won ($5.34) per month, in addition to wage increases of 7.6 percent already agreed.

Company officials said the strike caused production losses of 2,600 cars a day.

Japanese Firms Still Wary of China

Reuters

TOKYO — A year after the military crackdown on prodemocracy protesters in Beijing, Japanese companies remain wary about investing in China out of fears of political instability.

The June crackdown halted a rise in investment that had promised to make Japan the second-biggest in China, after Hong Kong and ahead of the United States. But interest remains strong in a market so large and close at hand.

The crackdown raised China's country risk, lowered its credit rating and resulted in suspension of Japan's official and commercial credit and insurance for trade contracts of more than two years.

Japan's trade with and investment in China have fallen. Exports to China in the fiscal year ending March 31 fell 24.3 percent, to $7.49 billion from the previous year, while imports rose 8.7 percent, to $11.17 billion, according to Japanese government figures.

Actual Japanese investment in China in 1989 totaled $356 million, down from $515 million in 1988, Chinese figures show.

An official in the China department of a major trading company said Japanese concerns remain nervous about political instability, what will happen after the death of Deng Xiaoping, the senior Chinese leader, and the bad relations between Beijing and Washington.

"The biggest problem is the lack of foreign exchange," he said. "We very much want the loans to be resumed. That would not only bring in capital but also restore confidence. It would be a psychological as well as a practical boost."

One positive sign is that the Ministry of International Trade and Industry has decided to restore insurance for trade contracts of more than two years, a government trade official said. But that decision has not been officially announced.

Japanese companies win about half the contracts paid for by the country's official aid to China. The said, however, is not restricted by requirements that it be used on Japanese goods.

Worst-hit among Japanese companies have been those that invested in tourist-related facilities in China. Prior to June, they were giving the best return, with revenue in foreign currency rather than nonconvertible Chinese money.

The crackdown sharply cut the number of both tourist and business travellers, at a time when many new facilities were opening.

Tokyo Steel Jobs to Be Cut

Reuters

TOKYO — Three major Japanese steelmakers are planning to cut a total of 6,100 jobs in the financial year ending March 31, 1991, spokesmen said Monday.

The number is equivalent to about 6 percent of the combined work force of the three companies — Nippon Steel Corp., NKK Corp. and Sumitomo Metal Industries Ltd.

Nippon Steel plans to cut up to 3,000 steel jobs, NKK up to 1,600 and Sumitomo 1,500. Nippon Steel had about 55,900 workers, NKK 22,820 and Sumitomo 19,796, as of March 1990, the spokesmen said.

They said the staff cuts are part of reorganization efforts to make the companies more competitive. This includes using computerized production.

The majority of jobs to be cut at Nippon Steel and NKK will be eliminated when the individuals holding them reach retirement age this fiscal year, the spokesmen said. The workers were hired in the 1950s to cope with rapidly increasing steel production.

At Sumitomo, some steelworkers affected by the jobs cuts are younger and will be assigned to other jobs in electronics and pharmaceuticals.

Japan's Top 10 Banks Cite Interest Rate Rise For Declines in Profit

Compiled by Our Staff From Dispatches

TOKYO — Profits at Japan's 10 biggest banks were slashed by an average 10 percent in the financial year ended March 31, as margins were further squeezed by rising interest rates, according to figures released Monday.

Some of the banks also attributed the decline in net profit to Mexican debt write-offs and increased provisions for loan losses. The banks also reported increases in total assets of around 20 percent in the year.

Although banks are charging higher rates as well as paying them, not all of the costs could be passed on to borrowers. Japan's discount rate has risen to 5.25 percent from 2.5 percent a year ago.

Japanese banks do not expect profits to rebound sharply in the current year, officials added.

Dai-Ichi Kangyo Bank Ltd., the world's biggest bank in terms of assets, said parent-company net profit declined 13.4 percent, to 155.59 billion yen ($1.03 billion). The bank's total assets grew 23 percent, to 66.591 trillion yen at the end of March.

Mitsui-Taiyo-Kobe Bank Ltd., formed in April by a merger of Mitsui Bank and Taiyo-Kobe Bank, said the combined net profit of the two banks, before the merger, fell 13 percent to 115.85 billion yen.

Sumitomo Bank Ltd., traditionally the most profitable bank in Japan, said group net profit dropped 11.3 percent to 184.26 billion yen.

Fuji Bank Ltd., an affiliate of the Yasuda Insurance & trust group, said parent-company net profit sank 14.4 percent to 147.13 billion yen, while assets grew 21 percent to 61.895 trillion yen.

Mitsubishi Bank Ltd., the nucleus of the Mitsubishi group of companies, said its net profit dropped 10.5 percent to 150 billion yen. Total assets grew 22 percent to 60.673 trillion yen.

In an exception to the trend, Sanwa Bank Ltd. said group net profit was unchanged at 162.37 billion yen, and that it expected a slight rise in the current year.

Bank of Tokyo Ltd., which specializes in foreign exchange activities, said group net profit fell 29 percent to 78.59 billion yen. Parent-company net declined 14.1 percent, to 50.90 billion yen.

Long-Term Credit Bank Ltd., the second-biggest long-term credit bank, said group net profit fell 9.6 percent to 61.38 billion yen.

(AFP, Reuters)

Jakarta Drops Wide Range of Trade Barriers

United Press International

JAKARTA — Indonesia announced Monday it is lowering import duties and nontariff barriers in its fifth deregulation package since 1988.

Import duties will be lowered on 2,363 items that make up 80 percent of the tariff schedule. Customs duties of 45 percent or more remain on 162 items.

Electronics, the pharmaceutical industry, coffee producers, gold-jewelry makers and watchmakers, chicken farmers and fishermen all will be affected.

Duty was eliminated on 215 items. The bulk of the tariffs fall at 10 percent or less on 2,908 items, and between 25 percent and 40 percent on 2,990 items. Tariffs of 15 to 20 percent are levied on 1,116 products.

Surcharges created as an anti-dumping measure have been eliminated on 53 products and reduced on 64 others. Surcharges remain unchanged on 53 other products.

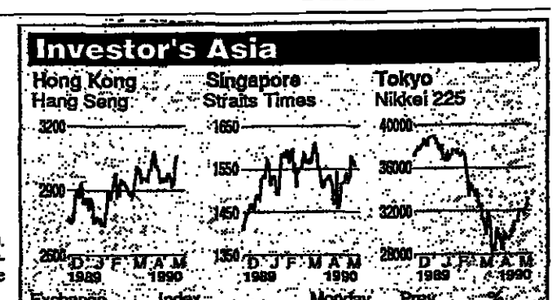
Kumagai Gumi Sees Profit Climbing 6.7%

Reuters

TOKYO — Kumagai Gumi Co., one of Japan's largest construction groups, said Monday that it expects parent net profit in the financial year ending next March to rise 6.7 percent, to 16 billion yen ($106.3 million), from 14.99 billion yen a year earlier.

It expects current profit of 43 billion yen, up from 41.09 billion the year before, on sales that are projected at 1.15 trillion against 1.10 trillion. The annual dividend is seen unchanged at 9 yen.

Investor's Asia



Exchange	Index	Monday Close	Prev. Close	% Change
Hong Kong	Hang Seng	Closed	3059.50	
Singapore	Straits Times	1557.33	1565.35	-0.51
Sydney	All Ordinaries	1485.20	1479.80	+0.36
Tokyo	Nikkei 225	33191.61	32793.68	+1.21
Kuala Lumpur	Composite	586.04	586.51	-0.08
Bangkok	Book Club	857.33	850.91	+0.75
Seoul	Composite Stock	778.23	790.73	-1.58
Taipei	Weighted Price	Closed	6146.44	
Manila	Composite	881.23	903.61	-2.48
New Zealand	Barclays	1766.00	1757.39	+0.49
Bombay	National Index	N.A.	427.47	

Sources: Reuters, AFP

International Herald Tribune

Australian Gap Narrows But Trade Woes Persist

Reuters

SYDNEY — Australia's current account deficit narrowed sharply in April, but problems continue to plague the country's balance of payments, economists said Monday.

The deficit halved to 1.02 billion Australian dollars ($784.9 million), at the lower end of the forecast range, from an upward revised 2.04 billion dollars in March. Seasonally adjusted, the deficit fell to 1.42 billion dollars from an upward revised 2.19 billion the previous month.

"It's a mixed bag," said Bruce Freeland, senior economist at Commonwealth Bank. "The current account is coming down, but it is still above sustainable levels."

"The figures show the slowing we're seeing in domestic activity is taking a long time to flow through to import levels," he said.

Dennis Mahoney, a Westpac Banking Corp. economist, said seasonally adjusted imports were at almost the same level as in February.

"I'm surprised imports haven't yet fallen, but fall they will," he said. He added news of a 6.3 percent drop in new motor vehicle registrations in April was encouraging.

Mr. Mahoney said there may be an easing in monetary policy in early July and sees yields on 90 day-bank bills at about 13.5 percent by the year's end, down from the current level of about 15 percent.

But Mr. Freeland said, "Any further easing in policy would be put on hold on the basis of these figures."

Joanne Collins, a Bank of New Zealand economist, said a downward trend in import levels was encouraging and an easing in policy could occur in July. But the government would not make any decisions on the basis of the current account data alone, nor after gross domestic product figures due out later this week, she said.

The April deficit took the cumulative shortfall for the year ending June 30 to 17.58 billion dollars, just short of the budget forecast of 18.5 billion, with two months to go.

Economists said markets had been subdued after the data.

"Interest rates did basically nothing, but it's early in a big week," Ms. Collins said, referring to the March quarter GDP data.

Economists said data on economic growth is due to be released this week are likely to show the country moving one step closer to recession in the first quarter.

They forecast that seasonally adjusted real gross domestic product, to be released Wednesday, will show a fall of 0.5 percent to 1.5 percent in the first three months of this year, reflecting a fall in domestic demand, an easing in housing construction and flat demand in other construction. This would follow a 0.2 percent decline in GDP in the fourth quarter of 1989.

BANKS: *Industry Stabilizes, but Outlook Is Uncertain*

(Continued from first finance page)

tors is the weakening real estate market in the Northeast.

Some analysts say that a recession could bankrupt so many business and individual borrowers that their inability to repay their loans could cause a crisis for many banks that do not have enough capital to cover such losses.

In such a situation, of course, the Federal Reserve, the central bank, would be forced to provide huge amounts of cash to prevent collapse of the system.

Concern about the health of the banking system, however, did not keep the Federal Reserve from raising interest rates in 1988 to slow the economy to fight inflation.

Nevertheless, fragility of the system is one reason Federal Reserve policy makers have no intention of bringing on a recession to achieve their goal of cutting inflation, according to senior Fed officials.

Robert Dugger, chief economist for the American Bankers Association, said the single most helpful thing that the government could do to assist the banking industry would be to reach a compromise on taxes and spending issues that would lower the federal budget deficit and bring down interest rates.

Another part of the uncertainty about banks is political. A major clash could develop later this year between banks and their competitors, on the one hand, and between the U.S. administration and congressional Democrats, on the other, after the Treasury Department issues a report on whether to make changes in the federal deposit insurance program.

Kenneth A. Guenther of the Independent Bankers Association described 1990 as a lull before the storm, "a transitional year looking to cataclysmic banking legislation in 1991."

The existence of deposit insurance, plus an implicit policy among regulators that very large banks cannot be allowed to fail because of the threat such an event would pose to the safety of the entire banking system, has meant that bankers could pursue very risky business strategies without having to worry that depositors withdraw their money.

This federal "safety net," which also includes the right of banks to borrow cash from the Federal Reserve when they need it, has protected depositors and the banking system. But it has also created what analysts call a "moral hazard." With the safety net in place, managers of some troubled banks have taken on larger and larger risks in hopes of a big payoff that will stave off bankruptcy. In effect, they have rolled the dice using taxpayer money to place their bet.

The future of deposit insurance is also intertwined with the long-running debate between banks and their competitors over reducing restrictions on the types of business banks can do, such as a prohibition on handling new issues of corporate stock. Banks have been pressing for more freedom for years as part of an effort to bolster their sagging profits.

The Treasury is expected to make recommendations about these restraints late this year. Some officials, such as Fed Chairman Alan Greenspan, fear that relaxing the current restrictions, which he generally favors, would increase taxpayer exposure to future losses by extending the federal banking safety net to non-banking activities, such as securities underwriting and insurance.

E. Gerald Corrigan, president of the New York Federal Reserve Bank, who shares Mr. Greenspan's concern about extending the safety net, nevertheless has called for reform of the restrictions on banks.

"The U.S. banking system is simply out of step with the rest of the world and, more importantly, it is out of step with the realities of the marketplace," he declared in congressional testimony earlier this month. "Even more importantly, the system as now configured may be risk and accident prone, rather than risk averse."

Foreign banks, some of which can raise capital in their home countries more cheaply than U.S. banks can here, are steadily taking business away from American banks. In terms of size, the largest U.S. bank, Citibank, which has $230 billion in assets, barely makes the top 25 worldwide.

Mr. Corrigan of the New York Fed said that there are simply too many banks and other firms offering financial services.

Singapore Land To Raise Capital

Reuters

SINGAPORE — Singapore Land Ltd. said Monday it proposed to issue two bonus shares per existing share, and two bonus warrants per existing warrant. The issue involves up to 344.05 million bonus shares and 80.46 million bonus warrants.

The company said it proposed to enlarge its authorized share capital to $1 billion from $250 million to accommodate the proposed issue.

The issue is the first decision made by Singland's new board of directors, appointed after United Industrial Corp. won control of the property giant last week. Analysts said United Industrial Corp. is now considering reducing its stake in Singapore Land to around 51 percent from 72.6 percent.

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ANNUAL SYMPOSIUM
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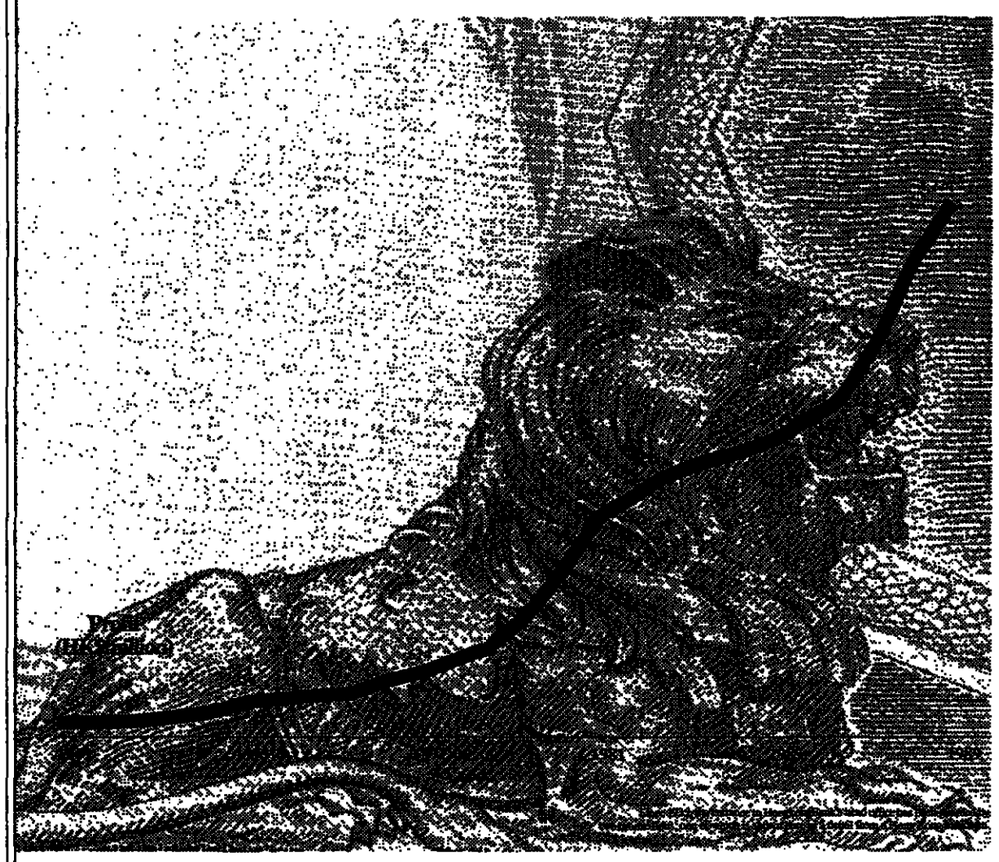

The published profit attributable to the shareholders of The Hongkong and Shanghai Banking Corporation Limited has risen each year for over 20 years.

Main points of the 1989 results:
- attributable profit up 11.0% to HK$4,774 million (US$611 million)
- earnings per share up 10.0%
- total dividends up 16.5%
- one-for-ten capitalisation issue proposed for 1990

Together with its subsidiaries and associates, The Hongkong and Shanghai Banking Corporation Limited ranks among the 30 largest banking groups in the world. Listed on the Stock Exchanges in Hong Kong and London, its shares are held by over 165,000 shareholders. The HongkongBank group has more than 1,300 offices worldwide and a staff of over 53,000.

For a copy of the 1989 Annual Report, please write to: Department W2, Group Public Affairs, The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong.

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SPORTS

In U.S., a Boom in Recruiting Abroad

By William C. Rhoden
New York Times Service

WHEN Sergio Luyk began playing basketball as an 8-year-old growing up in Spain, he dreamed of some day playing in the National Basketball Association.

He has now completed the first leg of his dream: He will play big-time college basketball in the United States next season. The route the 6-foot, 8-inch (2.03-meter) guard took to get this far has been an odyssey from Madrid to a clinic in Yugoslavia to a high school in Hopkinsville, Kentucky, to St. John's University in New York.

While foreign basketball players — and foreign athletes in other sports — are not new to the United States, the visibility of such players as Andrew Gaze of Australia at Seton Hall two seasons ago and Nadev Henefeld of Israel at Connecticut last season has focused attention on the number of foreign players in college basketball.

Now the numbers are shooting up, and in the last year or so there has been increasing evidence of organized attempts to enroll foreign athletes not just in colleges but in U.S. high schools to set them up for college careers.

A recent basketball newsletter compiled by Marty Blake, the NBA's director of scouting, listed 154 foreign players from 35 countries, including 18 from Nigeria and 10 from Yugoslavia, who competed last season in Division I, the National Collegiate Athletic Association's highest level. Hundreds of others are competing for colleges in other divisions.

While precise figures are not available, Blake said that the number of foreign players had doubled over the last decade and that their ability had improved greatly.

THE PUSH to expand the foreign recruiting network is a result of three recent trends:

- Greater competition for a talent pool that is being tapped by an increasing number of colleges playing championship-caliber basketball in Division I.
- Tightened academic standards that have resulted in top-flight high school athletes failing to qualify for competition in their first year of college.
- A scarcity of impact players, particularly at center.

But as more high schools become involved in the network, some secondary school administrators are complaining that foreign exchange programs are being abused and that local athletes are being squeezed out by more *talented foreign players.*

The coach at Lebanon (Oregon) High School was criticized this season after two Australian exchange students — one of whom will attend the University of Portland next fall on a basketball scholarship — led Lebanon to its first league championship in 38 years. Afterward, the league passed a rule prohibiting foreign players from competing during their first year of residence.

"We have kids who have been going through our program from third or fourth grade," said Bill Lane, the superintendent of schools for the Lebanon school district. "They get up in their senior year in high school and a kid or two comes from Australia and displaces them on the team. That's not really right."

In Wilson, North Carolina, the coach at Fike High *School refused to play South Wayne in 1988 because of a* French student. Yann Bonato, a 6-7 guard, came to Florence, South Carolina, in 1987 primarily to hone his basketball skills. Since South Carolina's rules limit foreign exchange students to one year of competition, Bonato moved across the border to North Carolina to play at South Wayne for his senior year. He will play for Virginia Commonwealth University next season.

"The objective of our school programs is not to train foreign athletes; it's not even to train our own athletes," said David Fry, chairman of the National Council on Standards for International Educational Travel, a group that monitors foreign exchange programs. "High school athletics in this country are designed to serve the youngsters who are legitimate, bona fide students in the school, whose families are residents of the school districts that they serve."

In addition to complaints of recruiting and illegal transfers, there has already been a case of international brokering. Earlier this month, Michael Reece, an assistant coach at Richland Community College in Decatur, Illinois, was chastised by Fry for attempting to act as a middleman between Australian athletes and U.S. high school coaches.

Reece runs a scouting service, works 10 weeks a year at summer camps and sees 5,000 players. He puts the scouting information on players into his computer and sells it to college coaches. Fry, who is also the executive secretary of

It is now not just recruiting foreign athletes for colleges, but for U.S. high schools to set them up for college careers.

the Illinois State High School Association, learned that Reece had promised to deliver Australian basketball players to U.S. high school coaches and planned to charge $100 as a finder's fee and $75 for "setting things up."

In a form letter to the high school coaches, Reece wrote: "I have kids of all sizes, from very good guards to kids of 6-7, 6-10. No matter what your situation is, another quality player can always be of help."

The plan collapsed when Fry informed Youth for Understanding International Exchange — the organization that Reece had contacted — that it would jeopardize its certification by further contact with Reece.

"The agency called me and said that they couldn't be construed as placing athletes," Reece said. "Well, we're kidding ourselves. Educationally, these foreign students are ahead of us. The reason most of the kids come here from overseas is for athletics, period. They get the opportunity to get a good education, play at a high level of athletics and go to an American college."

The international recruiting network, which is expanding to Eastern Europe as fast as political conditions there allow, has evolved into a mutually beneficial arrangement.

Foreign athletes benefit from the United States' unique scholastic and intercollegiate system, which offers top-flight competition leading to lucrative professional possibilities. For American universities faced with tightened academic standards and rising stakes involving millions of dollars, foreign athletes represent a fresh pool of talent.

"You have to expand your theater of operation," said Lou Carnesecca, the St. John's coach, who made his first foreign scouting trip 24 years ago.

Carnesecca learned about Sergio Luyk when his name began to pop up on scouting lists two seasons ago after the player attended a camp in Yugoslavia conducted by an assistant coach from University Heights High School in Hopkinsville, Kentucky. Luyk ended up in Hopkinsville as a 10th-grader. As a junior, he averaged 25 points per game. Last season, he averaged 23.3 and 14.9 rebounds.

"Every kid *wants to come to America to learn to play,*" Cliff Luyk, Sergio's father and a former star at the University of Florida, said recently from Madrid, where he coaches Real Madrid, a prominent Spanish club team. "Europe is catching up, but the big advantage in the United States is the system of bringing up players from grade school, high school, college and then the NBA."

For American coaches faced with mounting competition for limited pools of desirable talent, the foreign athlete represents a short-term investment.

"They are a quick fix," Carnesecca said. "If you need something specific — a shooter, a rebounder — you can go there and take it out, and you're getting a good player."

Many coaches said they weren't eager to expand their search for talent but felt compelled to keep up.

"If you're going to keep up with the Joneses, and the foreign player is one of their available alternatives, you'd better have that as one of yours," said Al Brown, an assistant coach at the University of Minnesota.

Last year the Gophers landed Ernest Nzigamasabo, a 6-9 freshman from the African nation of Burundi.

For Oregon State, which frequently loses blue-chip talent to Pacific-10 rivals UCLA and Arizona, foreign players have been a life buoy. Oregon State has recruited from Yugoslavia, Canada and Puerto Rico, and is now recruiting a 6-9 player from the Netherlands.

"We have to meet the competition and get people with skills comparable to people in our league," said Jim Anderson, the Oregon State coach.

"I'd say in about the past two years I've had 15 Nigerian attorneys come in here and tell me they have the next Akeem Olajuwon," said Pat Foster, the coach at the University of Houston, referring to the school's most distinguished foreign athlete, now a star in the NBA.

Despite the uncertain nature of overseas recruiting, Foster said he was a proponent of the foreign student-athlete.

"I think people are people," he said, "but I also feel that a guy who will pull up his roots, and go completely around the world to take up a new life represents a certain personality type."

THREE years ago, Ron Walker, a former college basketball player who played professionally in Europe, set up the Sports Scholarship Foundation, a London-based nonprofit organization that matches British athletes with U.S. colleges. He said the agency had placed more than 160 students in the scholarship system in America.

But while the international reach of basketball is seen as positive by many members of the U.S. basketball establishment, some officials in Europe and the United States believe that the expansion into high schools may have a corrupting effect in an area already beset with problems.

"I'm concerned about the image that is being painted by American athletics," said Fry, chairman of the foreign exchange monitoring group. "But it is not a concern that you can address with a law or some kind of administrative action. It's a pervasive thing that has cut into our social thinking and it's getting worse."

Coaches, for their part, have remained ambivalent.

"I would rather recruit American kids first and foremost," said Jesse Evans, an assistant coach at Arizona.

"Unfortunately, our job is to compete, win and graduate kids. So now I've got to have some kids in here who are going to do those things. I don't have a choice."

WORLD CUP WARMUP

Cagliari Preview: Local Fans

CAGLIARI, Sardinia (Reuters) — Police here, bracing for the imminent arrival of British and Dutch soccer fans, have gotten a taste of hooliganism from local fans.

They smashed doors, seats and windows in 15 buses during two hours of riotous celebrations Sunday night following Cagliari's victory over Triestina in a league match in Cagliari, a public bus company spokesman, Alberto Aime, said Monday.

Police equipped with anti-riot gear, helicopters and dogs had practiced crowd control tactics at Via Roma earlier in the day, but Aime said that by the time they returned the vandals had fled.

'Duty-Free' Isn't So Entirely

LONDON (Reuters) — Thirty members of an Albanian under-21 soccer team en route Monday from Rome to a match in Reykjavik were detained by British police after loading up on goods worth $3,500 at a "duty-free" shop at Heathrow airport.

"Apparently when the Albanians saw the words 'duty-free' they thought they could take anything they wanted free of charge," an airport spokesman said.

Police, who had problems finding an interpreter to question the players, then escorted them to their plane.

Chilians Deny Involvement

SANTIAGO (AP) — Star fullback Fernando Astengo and two Chilean national soccer team aides have angrily denied accusations by goalkeeper Roberto Rojas that they were involved in a plot to force the suspension of a World Cup qualifying match in Brazil nine months ago.

Astengo and paramedic Alejandro Kock, who Rojas said gave him the knife with which to self-inflict a wound halting the match, denied any involvement and said they are considering legal action against Rojas.

•

Defender Mark Wright, who severely bruised his left thigh in a league match earlier this month, has told the English team that he is fit to play in cup matches. *(UPI)*

Ernest Peterson/Agence France-Presse

Luyendyk being congratulated by his wife, Mieke.

It's a Rare Dutch Treat, Racing to an Indy 500 Record

By Michael Wilbon
Washington Post Service

INDIANAPOLIS — In six years of competing in Indy-car races, Arie Luyendyk had never been to victory lane. Only once, in 1988, had he been a runner-up. Only twice had he finished as high as third. In the big races — the Indianapolis 500, the Michigan 500 and the Pocono 500 — the highest he had finished was fourth.

He's handsome, affable and introspective, but hadn't attracted a sponsor in Europe to race Formula One, so he went to Phoenix, Arizona, where sponsorship money was available even if victories weren't.

There, Luyendyk's life took a turn when car owner Doug Shierson took a liking and signed him. Domino's Pizza became his sponsor and, with Shierson's influence, Luyendyk got one of the biggest breaks a driver can get these days: a Chevy engine. Who gets what engine is a complicated, competitive and often political process.

"I had 70 times or so to try to win something," Luyendyk said Sunday after winning the Indy 500 at an official record average speed of 185.981 mph, or 301.962 kph.

"When I signed with Doug, I didn't know he was going to get a Chevy engine. Once I found out, I thought, 'If you're not going to win races this way, you better look to do something else.'

"Sometimes, you just have to be patient and wait for the right equipment. I had some good years" in Formula Three and Super Vee "but I didn't have the right equipment."

With his new Lola-Chevy, Luyendyk surprised many here this year by qualifying third, at 223.004 mph, or 360 kph, behind the Roger Penske superstars, Emerson Fittipaldi and Rick Mears. In fact, in the first three rows, there were six former Indianapolis champions.

Thus, it wasn't surprising to hear Luyendyk say before the race, "It's a very emotional thing for me to be on Row 1."

So imagine how he felt 100 laps into the race, when he was running fourth. Or after 168 laps, when he was preparing to blow past Bobby Rahal into the lead. Or after 200 laps, when he was shocked to see the checkered flag, thinking he had one more lap to go.

It was about 27 laps from the finish, after a final pit stop, when the 36-year-old from Sommelsdyk, in the Netherlands, knew it was his race to win — especially since Rahal, Fittipaldi and Al Unser Jr. all were having right rear tire problems due to blistering.

"I knew if nothing funny happens, like a car spinning out in front of us, we'd be okay," Luyendyk said.

Something funny almost did happen. Fittipaldi, who won last year's race after a brushing of wheels in the final two laps with Unser, came very close to bumping Luyendyk's car. There were gasps from the crowd, and probably one that couldn't be heard from Luyendyk.

"I thought, 'Now I know how you won the race last year, you dog,'" Luyendyk said, laughing but not joking. "I moved over to the right to tell him to watch it, because we've got more races to go this year."

Though one wonders why Luyendyk would bother racing any more: Despite leaving Europe because he couldn't get a sponsor for even Formula Two, his overall earnings entering this season were $2.12 million. And from his Indy 500 triumph, he stands to make approximately $1 million.

CHESS

By Robert Byrne

FROM ignominy to achievement in three years epitomizes the recent career of top Chinese chess players. In the 1987 Asian Zonal tournament, accusations that the Chinese players were throwing points to their leader created a scandal. In the 1990 Asian Zonal, in Shah Alam and Kuala Lumpur, Malaysia, entrants, Ye Rongguang and Lin Ta, not only put themselves beyond reproach but also won the two available places in the next stage of world championship qualifications, the Interzonal Tournament.

They tied at 7½-1½ for first place with the Australian grandmaster Ian Rogers, then went on to a double-round playoff elimination match. With remarkable insouciance, Ye offered a speculative gambit and crisply defeated the Filipino grandmaster Rosendo Balinas. Currently the version of the Queen's Pawn Opening with 3 Bg5 has reached the heights of popularity. White can either rely on a smooth development of his minor pieces, or, if Black tries to induce an awkward defensive move with 4...Qb6, there is the opportunity for sharp gambit play with 5 e3!? Qb2 6 Bd3, which Ye seized here.

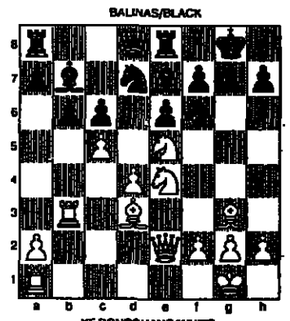
An inveterate defender might like the black position after 6...Nbd7 because there are no weak points to prompt an enemy attack. Nevertheless, Black's development is cramped and that always presents a problem over the board. Moreover, it soon required an expenditure of three moves to return the black queen to a safe defensive spot.

Meanwhile, there is a difficult question whether, after 8 Qe2, Balinas would not have done better to fianchetto his KB starting with 8...g6. Ye increased his control of space with 11 e4 de 12 Ne4, knowing that Black could not simplify with 12...Ne4? because of 13 Qe4 g6 14 Rb3 Qd6 15 c5 Nc5 16 dc Qc5 17 Rc1 Qd6 18 Qh4, when White's extra piece outweighs Black's three pawns in the middle game.

The advance 13 c5 further constricted the black position and prepared for the possibility of eventually sinking a knight into d6. On 14 Rb3 perhaps Balinas should have tried 14...Qd8, the idea being to continued with 15...Ne4 16 Qe4 Nf8. Of course, that does nothing for the problem of mobilizing the c8 bishop. Balinas tried a direct method with 14...Qc7 15 Bh4 b6, but on 16 Bg3, he could not well play 16...Qb7 and wait for 17 a4, 18 a5 and 19 a6 to descend upon him. After 16...Qd8 17 Ne5, it would have been desirable for Black to reduce the material, but 17...Ne5 18 Be5 Bd7 (or 18...bc) would have allowed 19 Nf6 Bf6 20 Bh7! Kh7 21 Qh5 Kg8 22 Rh3 g6 23 Qh8 followed by mate.

However, the Filipino's choice, 17...Bb7, fell prey to the crushing 18 Nf7!, whereupon taking the piece with 18...Kf7 would encounter 19 Ng5 Kf8 (or 19...Kg8, which permits the old smothered mate with 20 Qe6 Kh8 21 Nf7 Kg8 22 Nb6 Kh8 23 Qg8 Rg8 24 Nf7) 20 Ne6 (or 20 Qe6 Ne5 21 de Qd5 22 fe Qe6 23 Ne6) winning the queen. It was silly to go on with 18...Nc5 19 Nd8 Nb3. Ye made it look even worse with his 20 Nf6 Bf6 21 Bh7! Balinas did not need to ruminate on 21...Kh7 (or 21...Kf8 22 Bd6 Re7 23 Qe6 Rd8 24 Qg8mate) 22 Qh5 Kg8 23 Qe8, but gave up.

BALINAS/BLACK



YE RONGQUANG/WHITE

Position after 17 . . . Bb7

QUEEN'S PAWN OPENING

White Ye Rong'ang	Black Balinas	White Ye Rong'ang	Black Balinas
1 d4	Nf6	12 Ne4	Re8
2 Nf3	d5	13 c5	Qa5
3 Bg5	c6	14 Rb3	Qc7
4 Nbd2	Qb6	15 Bh4	b6
5 e3	Qb2	16 Bg3	Qd8
6 Bd3	Nbd7	17 Ne5	Bb7
7 0-0	Qa3	18 Nf7	Nc5
8 Qe2	a6	19 Nd8	Nb3
9 Rfb1	Be7	20 Nf8	Bf6
10 c4	0-0	21 Bh7	Resigns
11 e4	de		

BOOKS

THE BUDDHA OF SUBURBIA

By Hanif Kureishi. 284 pages. $18.95. Viking Inc., 40 West 23d Street, New York, N. Y. 10010.

Reviewed by Michiko Kakutani

IN "The Buddha of Suburbia," Hanif Kureishi takes many of the themes he examined in his screenplays for "My Beautiful Laundrette" and "Sammy and Rosie Get Laid" and refracts them through the prism of the novelistic form.

The result is a wickedly funny novel, a hip first novel that's at once a traditional comedy of manners and a scathing satire on race relations in Britain.

Like Kureishi's screenplays, "The Buddha of Suburbia" is crammed full of characters and incidents; and like his screenplays, it features, as its hero, a confused young man who's struggling to sort out his cultural loyalties, as well as his ambivalent ambitions, sexual desires and familial obligations.

In the process of watching Karim's awkward coming of age, the reader is treated not only to a group portrait of his eccentric extended family, but also to a portrait of England as it lurches from the counterculture excesses of the '60s toward the greedy materialistic imperatives of the '80s.

Though an exact year is never given, we first encounter Karim and his friends during that time when meditation and "writing for pleasure" classes have begun to flourish in the London suburbs.

People make references to Antonioni movies, Dylan records, and books by Angela Davis, Kerouac and Baudelaire. *Gurus have recently made a splash in* London society, and anything vaguely Indian — from Satyajit Ray films to curries — seems to achieve instant popularity.

"There are two sorts of people in the world," observes one trendy social climber, "those who have been to India and those who haven't."

Cashing in on this vogue for things Indian is Karim's father, who sets himself up — with the help of his new English girlfriend, Eva — as a sort of user-friendly Buddha, dispensing Eastern wisdom to the disaffected matrons and businessman of suburban London.

And then there is his friend, Anwar, who has gone on a hunger strike to persuade his daughter to submit to an arranged marriage ("If Gandhi could shove out the English from India by not eating, I can get my family to obey me by exactly the same.")

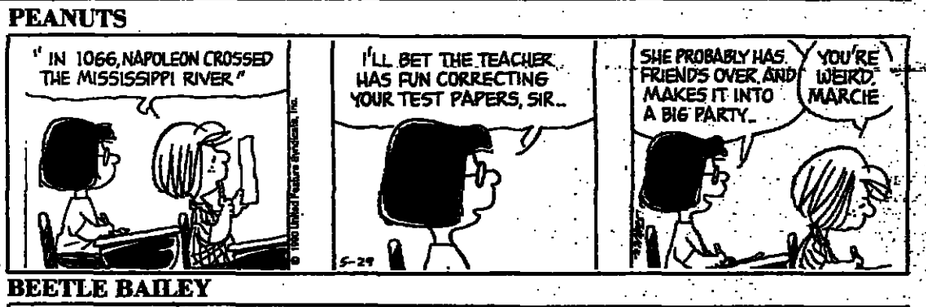
*Does such behavior indicate a willing*ness to conform to the worst stereotypes of British colonialism, or an effort to return "internally to India or at least" to resist the Englishness around them?

Karim doesn't know the answers. All around him, he sees strange permutations in race relations. While his father and Anwar are becoming more Indian by the minute, some of his friends seem to be making every effort to become thoroughly English.

Like V. S. Naipaul, Kureishi has a gift for locating the hypocrisies that inform *relationships between the white and non*white worlds, and absolutely no misgivings about exposing those hypocrisies.

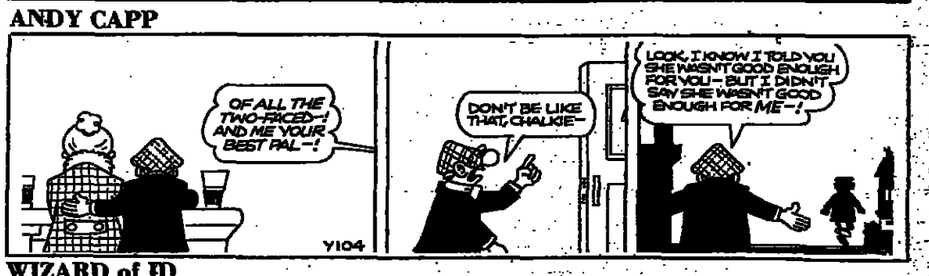
Michiko Kakutani is on the staff of The New York Times.

PEANUTS



BEETLE BAILEY

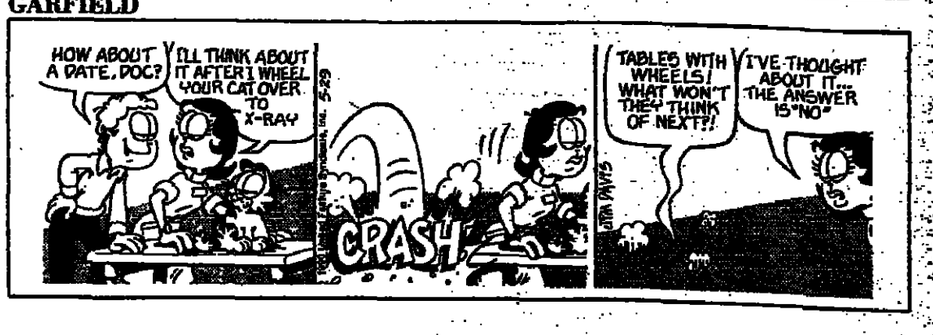
ANDY CAPP



WIZARD of ID

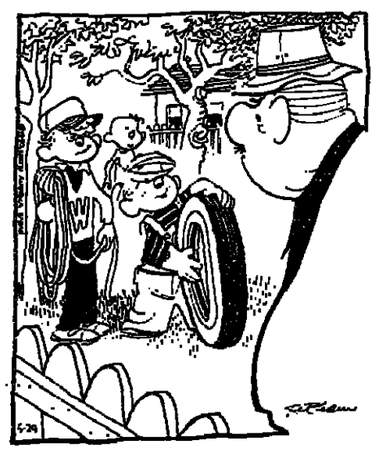
REX MORGAN

GARFIELD



DOONESBURY

DENNIS THE MENACE



"IS YOUR APPLE TREE BUSY, MR. WILSON?"

JUMBLE. THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

TYMIA

WANTY

HURTOF

REESHA

WHAT ALL BUTCHERS SELL BUT NOT MANY PEOPLE EAT.

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: _____

(Answers tomorrow)

Yesterday's Jumbles: BULGY HENNA ABDUCT ENDURE
Answer: Very commonly causes work stoppages— LUNCH

هكذا من الأصل

هكذا من الأصل

SPORTS

Bulls Rally, Beat Pistons

Jordan Gets 42 Points In 108-101 Victory

The Associated Press

CHICAGO — Michael Jordan scored 19 of his 42 points in the fourth quarter Monday and the Chicago Bulls, who had all but blown a 19-point lead, defeated the Detroit Pistons, 108-101, to even their National Basketball Association Eastern Conference best-of-seven playoff at two games each.

The Bulls built a 57-38 lead early in the second half before Joe Dumars took charge for the Pistons, scoring 17 of his 24 points in the third period to cut the margin to 71-68.

But Jordan, limited to only three points in the third period, scored 13 of Chicago's first 16

NBA PLAYOFFS

points in the first six minutes of the final quarter. And John Paxson, who finished with 17 points, made a three-point basket and converted a three-point play in the closing minutes before the Bulls ensured victory with free throws.

The series shifts to Detroit Wednesday night, and Game No. 6 will be played at Chicago Friday night. If a seventh game is needed, it will be played at Detroit next Sunday.

Isiah Thomas led Detroit with 26 points and Dennis Rodman had 20.

Except for the Detroit-dominated third period, the Bulls were in charge most of the way.

There were five ties early in the first quarter, the last at 12-12 after a basket by James Edwards. Bill Cartwright hit two straight to start a 12-1 Chicago run that included three-point plays by Scottie Pippen and Jordan.

The Bulls kept up the attack and turned it into a 16-4 run as the quarter ended with Chicago on top 28-16.

Neither team was able to score in the first 2½ *minutes of the second period but Vinnie Johnson* broke the spell with Detroit's first field goal in 8½ minutes. The Pistons had gone without a basket since Edwards had tied it 12-12.

The Pistons were unable to get closer than 10 points in the second quarter. The Bulls went ahead 39-24 with 5:07 left and upped it 51-33 on a Jordan drive with 36 seconds remaining.

Rodman scored the final basket of the half and the Bulls left the court with what appeared to be a comfortable 51-35 lead.

Jordan made two free throws to open the third quarter and the Bulls upped it to 57-38 before Dumars caught fire. Dumars led an 8-2 run, and the Pistons later went on a 10-2 run to cut the lead to 64-56 with less than five minutes left in the quarter.

Dumars made two 3-pointers to cut it 67-64 and the teams battled on even terms the rest of the period, which ended with Chicago holding a shaky 71-68 advantage.

Earlier, Clifton Brown of the New York Times reported:

The Phoenix Suns may have difficulty winning in Portland, but they sure didn't have much trouble with the Trail Blazers at home in Arizona.

With six players reaching double figures in scoring, the Suns raced to a 119-107 victory Sunday at Veterans Memorial Coliseum to tie the best-of-seven Western Conference championship series at two games apiece.

On Friday night in the third game of the National Basketball Association playoff, Phoenix beat Portland, 123-89. The fifth game will be played Tuesday night in Portland.

Phoenix is trying to become the first NBA team since 1977 to win a seven-game series after trailing by two games to none.

Kevin Johnson (28 points, 17 assists) and Tom Chambers (27 points) provided the one-two punch that kept the Trail Blazers backpedaling all afternoon.

"We're confident because we're a road team," said Cotton Fitzsimmons, the Phoenix coach. "We won two games in Utah during the playoffs, and we beat the [Los Angeles] Lakers twice on their home court. We don't have the home-court advantage, so if we're going to win anything, we'll have to win on the road.

"The *buildings don't bother us. The people* don't bother us. We just have to go out and take care of business," Fitzsimmons said.

Sunday, Phoenix took control of the game in the third quarter, outscoring Portland by 33-26 to take an 89-76 lead into the final period.

The Trail Blazers missed seven free throws in the third quarter, at one point missing five in a row.

The situation got worse for Portland when Clyde Drexler committed his fifth personal foul with 4:07 left in the third quarter with the Trail Blazers trailing, 77-70.

He left the game, and by the time he returned, with 10:34 left to play, the Trail Blazers were losing, 93-76. They never got closer than 10 points thereafter.

"We hit a dry spell in the third quarter and never recovered," Drexler said. "We know we can play better."

Jeff Hacker/Reuters

Wayne Cooper of Portland reached over Kurt Rambis to block his shot. But the Trail Blazers could not block out the Suns, who evened the Western Conference series at 2-2.

Chang Makes His Return Triumphant, Graf Wins Easily but Agassi Has to Rally

By Nick Stout

International Herald Tribune

PARIS — Michael Chang put his losing streak behind him Monday, Andre Agassi fought off a challenge and Steffi Graf virtually walked into the second round as the French Open tennis championships began on a pleasant, sunny day.

Still stinging from three tourna-

FRENCH OPEN

ments in which he failed to win a match, Chang scored a 6-2, 7-6, 6-1 triumph over Cassio Motta, a 30-year-old Brazilian Davis Cup player whose main accomplishments over the years have been in doubles.

"*Paris seems to click with me,*" said Chang, who last year became the first American to win this tournament since 1955. "I don't know if it's the people, the clay or the bread or what."

Chang, 18, looked relaxed and cheerful after his victory.

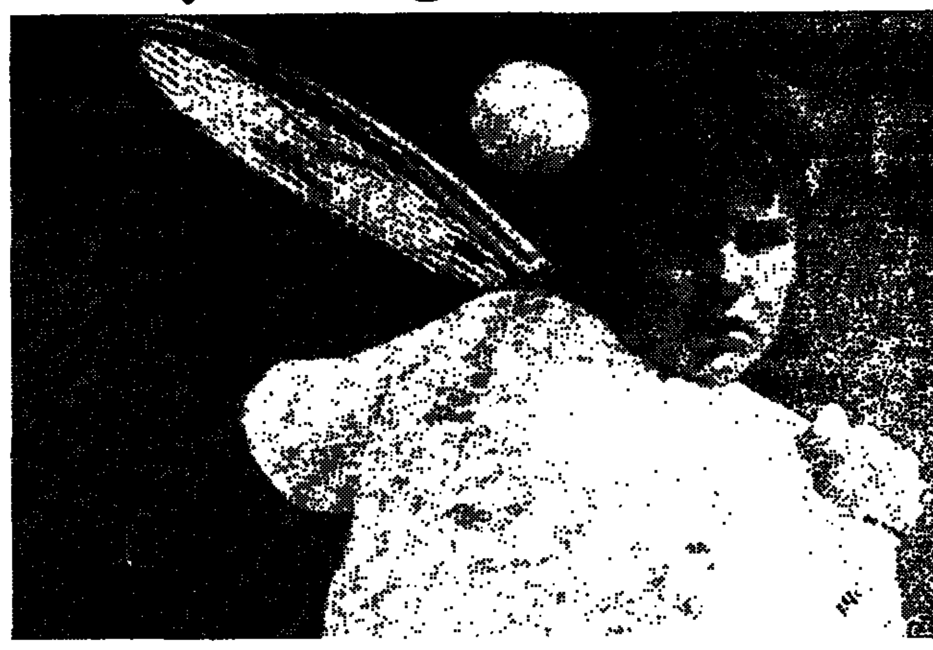
He had fallen behind in the second set, but won the tiebreaker, 7-5, when Motta double faulted.

"There's a lot of pressure when you're serving at 5-6 in a tiebreaker," Chang said. "There have been times when I've been in that situation and double faulted."

He said he went into the match thinking not about winning or losing, but rather about playing a good match.

"There are a lot of great players here," he said. "What I had to do was concentrate, get up for it."

Chang's next opponent will be either Francisco Roig, the Spaniard ranked 138th whom he beat in the third round here last year, or Marc Rosset an up-and-coming Swiss.



Pierre Gleizes/Associated Press

Wiltrud Probst of West Germany eyed the ball and a first-round upset of fifth-seed Zina Garrison.

"Anyone from Spain is good on clay," Chang said when asked about Roig. "I had a tough match with him last year. He just sliced, sliced, sliced."

Agassi beat Martin Wostenholme of Canada, 4-6, 7-6, 6-0, 6-1, saving two set points in the second set with some aggressive — Wostenholme called it audacious — playing.

"I was real frustrated, no question about it," said Agassi, the No. 3 seed. "I was making a lot of errors and wasn't moving him as much as I wanted to."

Nonetheless, Agassi seemed to have no doubt that he would win the match.

"As tired as he looked in the third and fourth sets," Agassi said of Wostenholme, "I think he was pretty much out of luck even if he had won the second."

Setting up the Canadian with some bold groundstrokes, Agassi saved the two set points with a forehand winner and a smash.

"I think he operates at just below the boiling point," Wostenholme observed of his American opponent.

In an upset, Alberto Mancini of Italy eliminated Jay Berger, the ninth-seeded American who beat Jimmy Connors here last year, 6-4, 6-2, 6-2.

Later, Emilio Sánchez, the sixth-seeded brother of the defending women's champion, lost by 4-6, 6-4, 6-7 (5-7), 6-2, 6-1 to Sweden's Nicklas Kulti, ranked No. 175.

Berger attributed his loss to fatigue on the circuit.

"I've been playing entirely too much tennis," he said. "Maybe I'll learn from my mistake."

On the women's side, Graf needed only 39 minutes to eliminate Pascale Paradis of France, 6-0, 6-2. The world's top-ranked player toyed with her opponent in a cat-and-mouse affair that left the young Frenchwoman visibly frustrated in front of her compatriots on the center court.

"It was not the most difficult match I've played," said Graf, who deftly moved her opponent about the court as she pounced for the points. "You could see that she really didn't have much confidence. It was a nice, quick first round. I like to get the first one over like that."

Paradis, 24 years old and ranked 127th, said she had been tense since Friday, when she heard the distressing news that Graf would be her first opponent.

"It was difficult to come onto the court relaxed," she said. "When you see the way she beats other players you become afraid of looking ridiculous."

If anybody felt ridiculous Monday, it was probably Zina Garrison, the No. 5 seed, who lost her first-round match to Wiltrud Probst, a West German ranked 49th.

Garrison, who first caught the world's attention here in 1982 when, at age 18, she unexpectedly reached the quarterfinals, squandered a match point at 5-4, 40-30 in the third set en route to a 6-1, 1-6, 7-5 defeat.

The hardest played match of the day was perhaps Jana Novotna's 0-6, 7-6, 10-8 center court triumph over Isabelle Demongeot of France. Novotna, the No. 11 seed from Czechoslovakia, staved off defeat by winning a thrilling second-set tiebreaker, 8-6, then managed to tune out the partisan crowd to prevail over the Frenchwoman in a marathon third set.

A former champion, Hana Mandlikova, withdrew from the tournament Monday because of a nagging back injury.

When the tournament continues Tuesday, Stefan Edberg, seeded *No. 1 in a Grand Slam tournament* for the first time, takes on Sergi Bruguera, a much improved Spaniard not to be taken lightly. The No. 2 seed, Boris Becker, faces Goran Ivanisevic of Yugoslavia.

The women's champion, Aranxta Sánchez Vicario, opens the defense of her title against Noëlle van Lottum, a wild-card entry from France.

SIDELINES

NBA to Open Season in Tokyo

NEW YORK (AP) — The Phoenix Suns and Utah Jazz will open the 1990-91 National Basketball Association season with two games, Nov. 3 and 4, in Tokyo, the league announced Monday. It will be the first time an American professional sports league has played a regular-season game outside North America.

NBA games are televised in 75 countries, but all its previous games overseas have been been exhibition or tournament competitions.

The New York Knicks are to play in the McDonald's Open on Oct. 11-13 in Barcelona. That tournament, now in its fourth year, features an NBA team playing against three European teams.

Ski Panel to Study Prize Taxes

OBERHOFEN, *Switzerland (UPI) — International Ski* Federation officials confirmed Monday that the organization, while committed to paying prize money to World Cup race winners, is still studying exactly how to increase prizes without incurring tax problems for athletes.

FIS had said Friday at its bi-annual congress in Montreux, Switzerland, that it would pay winners in gold or silver bullion. It said Monday it had put a proposal recommended by its president, Marc Hodler, to a working group for study. It is due to make recommendations at the next congress in Budapest in 1992.

"The whole issue cannot be decided before 1992," said FIS's general secretary, Gianfranco Kasper. "We still must wait for the International Olympic Committee to change its charter regarding the situation."

Harwood Takes British PGA

WENTWORTH, England (Reuters) — Mike Harwood of Australia won the British PGA golf title with a one-stroke triumph although Nick Faldo, the defending champion, rallied with a seven-under-par 65 on Monday.

Harwood shot 67 to finish at 271. Faldo shared second place with South African John Bland, who also shot 67. José María Olazábal of Spain, who shared or held the lead over *the first three rounds, slipped to 70 and finished tied for* fourth place with Rodger Davis of Australia.

● Wayne Levi sank a four-foot (1.2-meter) birdie putt on the 72d hole Sunday for a three-under-par 69 and a one-shot victory over Larry Mize, Keith Clearwater and South African Nick Price in the Atlanta Golf Classic in Marietta, Georgia. A rain delay of six hours forced the entire field of 85 back on the course at 6:05 P.M.

For the Record

The British yacht Maiden, the Whitbread Round the World race entry crewed entirely by women, crossed the finish line in Southampton, England, on Monday. It finished 18th in the race won by Steinlager 2 last Tuesday. *(Reuters)*

Georgia became the first team to qualify for the 1990 College World Series of baseball by defeating Rutgers, 20-9, Sunday for the championship of the Northeast Regional tournament. *(AP)*

Pirates Halt Dodgers With a Wild 9th

The Associated Press

The Pittsburgh Pirates, held to one hit in eight innings by Tim Belcher, rallied for five runs in the ninth Monday to beat Los Angeles, 6-5, and end the Dodgers' five game-winning streak in a game of brushback pitches and ejections.

In a wild finish, the Pirates won when right fielder Hubie Brooks' throwing error allowed Don Slaught to score following Jose Lind's bases-loaded single.

The Dodgers led, 5-1, entering the ninth when their manager, Tommy Lasorda, lifted Belcher. The pitcher had allowed only Lind's third-inning single and had struck out eight.

Wally Backman singled off reliever Pat Perry and Jay Bell doubled him to third. Backman scored on Perry's wild pitch and Andy Van Slyke walked before Bobby Bonilla bounced into a run-scoring force play.

Perry got Barry Bonds to pop out for the second out, but Sid Bream chased Perry with a single to center, bringing on Jay Howell, who walked Slaught to load the bases.

Lind then singled to right, scoring Bonilla and pinch-runner Gary Redus, and Slaught came home when Brooks' throw eluded catcher Mike Scioscia.

Both benches emptied in the bottom of the fifth when Belcher, apparently retaliating for Brooks being hit in the top of the inning, knocked leadoff hitter Slaught off the plate. Bonilla, decked by an head-high fastball by Belcher on May 1 in Los Angeles, charged out of the Pirates' dugout and had to be restrained by former teammate Jim Gott.

As both teams huddled around home plate, the Pirates' manager, Jim Leyland, Leyland screamed at Lasorda and Van Slyke exchanged words with Gott.

An inning later, reliever Randy Kramer nearly hit Belcher with a pitch, forcing the umpires to automatically eject Kramer and Leyland. A fan then raced out of the third-base stands, screaming at the umpires, and was held back by Bonilla and the pitching coach Ray Miller.

Several minutes later, another fan jumped out of the stands and was tackled behind second base as Leyland continued arguing with the umpires.

Juan Samuel of the Dodgers was ejected in the eighth after arguing a third-strike call.

Astros 5, Cardinals 1: In Houston, Bill Gullickson won his 100th National League game and Alex Trevino and Ken Caminiti each drove in two runs in helping extend St. Louis' losing streak to four games.

Caminiti hit a two-run homer in the eighth, his second of the season and second in as many

BASEBALL ROUNDUP

days, as Houston won for the fourth time in five games.

Glenn Wilson had three straight hits and scored twice, and Craig Biggio extended his hitting streak to eight games with two singles, as the Astros handed Greg Mathews (0-5), his sixth straight loss dating to last season.

Cubs 5, Giants 1: Jerome Walton hit a two-run triple and a sacrifice fly in Chicago, helping overcome a controversial call that favored San Francisco.

It was Walton's last game until Friday. He was to return to Georgia on Tuesday to attend services for his brother, who was fatally shot in Atlanta last week.

Colin Braley/Reuters

The Yankees' Claudell Washington went to the wall, but George Brett got a double.

With the score 1-1 and one on in the third, Ryne Sandberg hit a ball to left that third base umpire Bill Hohn called a home run. The Giants' manager, Roger Craig, argued that the ball had been foul and, after a discussion among all the umpires, crew chief Harry Wendelstedt overruled Hohn and said Sandberg had not homered.

That brought the Cubs' manager, Don Zimmer, out of the dugout. After an animated debate, Zimmer, for the first time this season, was ejected from the game. He flung his cap into the dirt during the argument, picked it up and hurled it into the stands as he stomped down the dugout steps. Coach Joe Altobelli also was ejected.

And on the television replay, *the ball* appeared to have been fair.

Twins 6, Orioles 4: Kirby Puckett's second homer of the game in Minneapolis, a three-run shot in the seventh inning, beat Baltimore and gave the Twins their fifth straight victory.

Minnesota won its 19th game in May, tying a club record for the month set in 1965 (19-12) *and equaled in 1970 (19-7).* The Twins also continued their mastery of the Orioles, winning for the seventh time in the teams' last nine meetings and the 26th in their last 37 games.

The Twins trailed, 4-2, entering the bottom of the seventh, but Junior Ortiz hit a one-out double and Dan Gladden singled him to third. After Fred Manrique struck out, Puckett hit Joe Price's 2-2 pitch deep into the left-center seats.

In games played Sunday:

Cubs 11, Astros 6: In Chicago, Ryne Sandberg had a three-run and a bases-empty homer and Houston stranded 10 runners in the first five innings. Sandberg had four of the Cubs' season-high 18 hits.

Orioles 9, Rangers 2: Jeff Ballard gave up two runs and five hits in six innings for his first victory this season as Baltimore completed a three-game sweep in Texas.

The Orioles took a 4-2 lead in the sixth on run-scoring singles by Craig Worthington and Phil Bradley.

Angels 7, Brewers 3: Johnny Ray's solo homer in the fifth broke a 2-2 tie in California and Wally Joyner hit a grand slam in the seventh as the Angels won their seventh straight.

Blue Jays 5, Mariners 1: Manny Lee, Junior Felix and Pat Borders homered as Toronto handed Seattle its fourth straight loss. The Mariners dropped to 8-14 at the Kingdome, the worst home mark in the American League.

Lee and Felix, Toronto's eighth and ninth-place hitters, started the third inning with back-to-back homers off Randy Johnson.

SCOREBOARD

BASEBALL

Major League Standings

(Through Sunday)

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Milwaukee	22	19	.537	—
Toronto	24	22	.522	½
Boston	21	21	.500	1½
Cleveland	20	22	.476	2½
Baltimore	20	24	.455	3½
Detroit	20	26	.435	4½
New York	17	24	.415	5

West Division

	W	L	Pct.	GB
Oakland	30	12	.714	—
Chicago	25	15	.625	4
Minnesota	25	18	.581	5½
California	22	23	.489	9½
Seattle	21	25	.457	11
Texas	18	26	.409	13
Kansas City	17	25	.405	13

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Pittsburgh	26	17	.605	—
Philadelphia	24	18	.571	1½
Montreal	23	21	.523	3½
New York	20	22	.476	5½
Chicago	20	24	.455	6½
St. Louis	19	25	.432	7½

West Division

	W	L	Pct.	GB
Cincinnati	29	11	.725	—
Los Angeles	24	20	.545	7
San Diego	21	22	.488	9½
Atlanta	17	24	.415	12½
Houston	17	26	.395	13½
San Francisco	17	27	.386	14

Sunday's Line Scores

AMERICAN LEAGUE

Chicago	000 010 100—2	4	0
Detroit	001 000 000—1	4	0

Perez, Radinsky (7), Jones (7), Thigpen (8) and Fisk; Morris, Gibson (8), Nunez (8) and Heath. W—Perez, 4-4. L—Morris, 2-7. Sv—Thigpen (14). HRs—Chicago, Fisk (2). Detroit, Heath (1).

Boston	000 000 010—1	8	0
Minnesota	101 100 00x—3	6	1

Kiecker, Reardon (8) and Gedman, Pena (7); Tapani, Wayne (8), Aguilera (8) and Harper. W—Tapani, 6-3. L—Kiecker, 0-2. Sv—Aguilera (13). HR—Minnesota, Gladden (4).

New York	000 001 010—2	7	1
Kansas City	301 101 00x—6	10	0

LaPoint, Cadaret (4), McCullers (8) and Cerone; Appier, Davis (8), Montgomery (8) and Macfarlane. W—Appier, 1-0. L—LaPoint, 3-4. Sv—Montgomery (2). HR—Kansas City, Seitzer (1).

Baltimore	000 202 050—9	11	0
Texas	100 010 000—2	7	0

Ballard, Weston (7), Hickey (7), Williamson (7), Holton (8) and Melvin; B.Witt, Moyer (7), Mielke (8), Arnsberg (8) and Stanley, Petralli (7). W—Ballard, 1-5. L—B.Witt, 2-4. HR—Texas, Franco (4).

Milwaukee	000 200 001—3	8	3
California	020 010 40x—7	11	2

Wegman, Fossas (7), Plesac (8) and Surhoff; Finley, Eichhorn (9) and Parrish. W—Finley, 7-2. L—Wegman, 2-2. HRs—California, Parrish (7), Ray (2), Joyner (7).

Toronto	002 012 000—5	7	1
Seattle	000 010 000—1	9	0

Cerutti, Wells (8), Henke (9) and Borders; R.Johnson, Clark (6), Knackert (8), Schooler (9) and Sinatro. W—Cerutti, 2-5. L—R.Johnson, 3-3. HRs—Toronto, Lee (4), Felix (8), Borders (7). Seattle, Giles (4).

Cleveland at Oakland, ppd., rain

NATIONAL LEAGUE

San Francisco	002 000 000—2	6	0
Pittsburgh	000 300 11x—5	12	0

Reuschel, Thurmond (7) and Carter, Kennedy (6); Heaton, Belinda (6), Ruskin (8), Power (9) and Slaught. W—Heaton, 8-1. L—Reuschel, 2-4. Sv—Power (4). HRs—Pittsburgh, Bonds (9), Slaught (4), Van Slyke (6).

Atlanta	100 001 000—2	10	1
Philadelphia	000 000 001—1	2	0

Smoltz and Olson; Mulholland, Freeman (7), Akerfelds (8), Carman (8) and Lake. W—Smoltz, 3-4. L—Mulholland, 3-2. HR—Atlanta, Gant (4).

San Diego	100 001 000—2	10	1
New York	010 000 120—4	7	2

Whitson, Harris (8), Lefferts (8) and Parent; Gooden, Franco (8), Musselman (9) and Sasser, Hundley (9). W—Whitson, 4-3. L—Gooden, 3-4. Sv—Lefferts (8). HRs—San Diego, Carter (7). New York, Strawberry (7), Gooden (1).

Cincinnati	120 000 000—3	10	1
Montreal	001 210 10x—5	10	0

Rijo, Birtsas (4), Charlton (7), Dibble (8) and Oliver; Gardner, Hall (5), Sampen (8), Burke (9) and Fitzgerald. W—Hall, 3-5. L—Birtsas, 1-2. Sv—Burke (11). HRs—Cincinnati, Oliver (5). Montreal, Raines (2), Galarraga (4).

Los Angeles	720 020 100—12	17	0
St. Louis	023 000 020—7	10	1

Wetteland, Crews (3), Perry (6), Gott (8), Maddux (9) and Scioscia, Dempsey (7); DeLeon, DiPino (1), Niedenfuer (4), Dayley (8), La.Smith (9) and Zeile. W—Crews, 1-1. L—DeLeon, 4-3. HRs—Los Angeles, Wetteland (1). St. Louis, Zeile (4).

Houston	100 010 004—6	11	2
Chicago	021 312 20x—11	18	2

Portugal, Clancy (4), Hernandez (5), Agosto (7), Darwin (8) and Biggio; Bielecki, Assenmacher (7), Williams (9) and Girardi. W—Bielecki, 3-3. L—Portugal, 1-5. HRs—Houston, Caminiti (1). Chicago, Sandberg 2 (9), Ramos (2)

Major League Leaders

(Through Sunday)

AMERICAN LEAGUE

BATTING (124 at bats): Guillen, Chicago, .355; Griffey, Seattle, .350; E.Martinez, Seattle, .342; Canseco, Oakland, .340; R. Henderson, Oakland, .336.

RUNS: Canseco, Oakland, 38; R. Henderson, Oakland, 36; Griffey, Seattle, 32; Puckett, Minnesota, 32; Fielder, Detroit, 30; Yount, Milwaukee, 30.

RBI: Canseco, Oakland, 47; Fielder, Detroit, 41; Gruber, Toronto, 40; Leonard, Seattle, 32; Maldonado, Cleveland, 32.

HITS: Griffey, Seattle, 63; Gruber, Toronto, 56; Canseco, Oakland, 53; Gladden, Minnesota, 53; Lansford, Oakland, 53; Trammell, Detroit, 53.

DOUBLES: Puckett, Minnesota, 14; Gruber, Toronto, 13; R. Henderson, Oakland, 13; 7 tied with 12.

TRIPLES: Bromley, Seattle, 4; Guillen, Chicago, 4; Phillips, Detroit, 4; 6 tied with 3.

HOME RUNS: Canseco, Oakland, 18; Fielder, Detroit, 18; Gruber, Toronto, 13; McGwire, Oakland, 12; Griffey, Seattle, 10; Maldonado, Cleveland, 10.

STOLEN BASES: R. Henderson, Oakland, 21; Pettis, Texas, 12; Calderon, Chicago, 11; Canseco, Oakland, 11; Sax, New York, 11.

PITCHING (5 decisions): B.Jones, Chicago, 6-0, 1.000, 1.64; Stewart, Oakland, 8-1, .889, 1.90; Candelaria, Minnesota, 5-1, .833, 4.48; Hernisch, Baltimore, 5-1, .833, 3.17; Higuera, Milwaukee, 4-1, .800, 1.94; Petry, Detroit, 4-1, .800, 2.44.

STRIKEOUTS: Clemens, Boston, 61; Hanson, Seattle, 55; M. Perez, Chicago, 55; Ryan, Texas, 54; Leary, New York, 52.

SAVES: D. Jones, Cleveland, 15; Thigpen, Chicago, 14; Aguilera, Minnesota, 13; Eckersley, Oakland, 13; Schooler, Seattle, 12.

NATIONAL LEAGUE

BATTING (124 at bats): Dykstra, Philadelphia, .404; Larkin, Cincinnati, .355; Dawson, Chicago, .342; Van Slyke, Pittsburgh, .333; B. Hatcher, Cincinnati, .331.

RUNS: Dykstra, Philadelphia, 35; Sabo, Cincinnati, 34; Bonilla, Pittsburgh, 33; Bonds, Pittsburgh, 32; McGee, St. Louis, 32.

RBI: Dawson, Chicago, 42; Bonilla, Pittsburgh, 38; J. Carter, San Diego, 36; Bonds, Pittsburgh, 34; W.Clark, San Francisco, 33.

HITS: Dykstra, Philadelphia, 61; Sandberg, Chicago, 58; McGee, St. Louis, 56; Alomar, San Diego, 55; Larkin, Cincinnati, 55.

DOUBLES: Presley, Atlanta, 16; Dykstra, Philadelphia, 14; Jefferies, New York, 14; Wallach, Montreal, 14; Sandberg, Chicago, 13.

TRIPLES: Coleman, St. Louis, 4; 7 tied with 3.

HOME RUNS: Dawson, Chicago, 13; Bonilla, Pittsburgh, 12; Mitchell, San Francisco, 12; G. Davis, Houston, 10; Wallach, Montreal, 10.

STOLEN BASES: Coleman, St. Louis, 21; Samuel, Los Angeles, 20; Raines, Montreal, 16; Yelding, Houston, 16; Bonds, Pittsburgh, 13; Larkin, Cincinnati, 13; Sabo, Cincinnati, 13.

PITCHING (5 decisions): Cook, Philadelphia, 5-0, 1.000, 2.41; Armstrong, Cincinnati, 8-1, .889, 1.61; Heaton, Pittsburgh, 8-1, .889, 2.91; Drabek, Pittsburgh, 7-1, .875, 2.66; Harkey, Chicago, 4-1, .800, 4.78.

STRIKEOUTS: Gooden, New York, 70; R. Martinez, Los Angeles, 65; Viola, New York, 59; DeLeon, St. Louis, 52; DeMartinez, Montreal, 51.

SAVES: R. McDowell, Philadelphia, 12; Burke, Montreal, 11; Myers, Cincinnati, 9; Davis, Houston, 8; Franco, New York, 8; Lefferts, San Diego, 8; Mi. Williams, Chicago, 8.

BASKETBALL

NBA Conference Finals

(Best of seven games)

EASTERN CONFERENCE

Detroit leads Chicago, 2-1

Sunday, May 20

Detroit 86, Chicago 77

Tuesday, May 22

Detroit 102, Chicago 93

Saturday, May 26

Chicago 107, Detroit 102

Monday, May 28

Detroit at Chicago

Wednesday, May 30

Chicago at Detroit

Friday, June 1

Detroit at Chicago, if necessary

Sunday, June 3

Chicago at Detroit, if necessary

WESTERN CONFERENCE

Portland and Phoenix tied, 2-2

Monday, May 21

Portland 100, Phoenix 98

Wednesday, May 23

Portland 108, Phoenix 107

Friday, May 25

Phoenix 123, Portland 89

Sunday, May 27

Phoenix 119, Portland 107

Tuesday, May 29

Phoenix at Portland

Thursday, May 31

Portland at Phoenix

Saturday, June 2 or Sunday, June 3

Phoenix at Portland, if necessary

Sunday's Result

Portland	28	22	26	31	—107
Phoenix	27	29	33	30	—119

PORTLAND: Kersey 14-20 1-1 29, Williams 6-11 1-3 13, Duckworth 7-17 5-6 19, Drexler 6-13 2-4 15, Porter 7-14 6-9 21, Young 0-5 0-0 0, Petrovic 0-2 0-0 0, Robinson 3-5 2-4 8, Cooper 1-4 0-0 2. Totals 44-94 17-27 107.

PHOENIX: Chambers 10-17 7-8 27, Rambis 2-5 1-1 5, West 5-11 2-2 12, Hornacek 7-14 0-0 14, K.Johnson 13-19 2-6 28, Majerle 7-15 4-4 18, E.Johnson 4-8 4-4 12, Lang 0-0 0-0 0, Perry 0-1 1-2 1. Totals 48-90 21-27 119.

Three-point goals—Portland 2-11 (Drexler 1-1, Porter 1-4, Young 0-6), Phoenix 2-4 (Hornacek 2-2, Majerle 0-2). Fouled out—None. Rebounds—Portland 50 (Williams 8), Phoenix 58 (West 12). Assists—Phoenix 31 (Porter 12), Phoenix 28 (K.Johnson 17). Total fouls—Phoenix 23, Phoenix 23. Technicals—Phoenix illegal defense 3.

GOLF

Final scores Sunday in the Atlanta Golf Classic played on the 7,018-yard (6,316-meter), par-72 Atlanta Country Club course:

Wayne Levi	72-66-68-69—275
Larry Mize	66-69-71-70—276
Keith Clearwater	70-68-66-72—276
Nick Price	68-69-69-70—276
Kenny Perry	69-70-70-69—278
Mike Donald	68-72-68-70—278
Brian Claar	69-71-69-70—279
Scott Verplank	70-71-71-68—280
Don Pooley	72-68-70-70—280
Tom Kite	72-69-68-71—280
Howard Twitty	68-68-72-72—280

Final scores Monday in the European PGA Championship played on the par-72 course at Wentworth, England (British or Irish unless stated):

M. Harwood, Australia,	69-68-67-67—271
J. Bland, S. Africa,	67-67-71-67—272
N. Faldo	67-71-69-65—272
R. Davis, Australia,	68-68-71-66—273
J-M. Olazabal, Spain,	66-68-69-70—273
E. Romero, Argentina,	66-71-69-68—274
P. Curry	66-70-72-68—276
T. Johnstone, Zimbabwe,	66-72-67-71—276
C. Montgomerie	70-70-68-69—277
J. Hawkes, South Africa,	70-69-72-67—278
M. Farry, France,	68-71-71-68—278
D. Williams	70-70-70-68—278
P. Walton	70-67-71-70—278

CYCLING

Tour of Italy

Results from Monday's 241 kilometre (150 mile) 11th stage which ended in Lolt:

1. Adriano Baffi, Italy, 6 hours, 19 minutes, 07 seconds; 2. Phil Anderson, Australia; 3. Jean-Paul Van Poppel, Netherlands; 4. Marcel Wust, West Germany; 5. Djamolidin Abdushaparov, USSR; 6. Paolo Rosola, Italy; 7. Roberto Pagnin, Italy; 8. Giuseppe Citterio, Italy; 9. Guido Bontempi, Italy; 10. Philippe Casado, France, all same time as Baffi.

Overall Standings

1. Gianni Bugno, Italy, 50:27:14; 2. Marco Giovannetti, Italy, at 4:08; 3. Charly Mottet, France, 4:09; 4. Federico Echave, Spain, 4:41; 5. Joachim Halupczok, Poland, 5:06; 6. Vladimir Pulnikov, USSR, 5:14; 7. Claudio Chiappucci, Italy, 5:55; 8. Marino Lejarreta, Spain, 6:02; 9. Piotr Ugrumov, USSR, 6:43; 10. Flavio Giupponi, Italy, 6:47.

TENNIS

French Open

FIRST ROUND

Men's Singles

Yannick Noah, France, def. Francisco Clavet, Spain, 6-4, 4-6, 6-4, 1-6, 7-5; Michael Chang (11), U.S., def. Cassio Motta, Brazil, 6-2, 7-6 (7-5), 6-1; Andrew Sznajder, Canada, def. Cedric Pioline, France, 7-6 (8-6), 6-3, 6-1; Fabrice Santoro, France, def. Guillaume Raoux, France, 6-1, 6-4, 6-4; Martin Strelba, Czechoslovakia, def. Kelly Jones, U.S., 6-1, 6-3, 4-6, 6-3; Javier Sanchez, Spain, def. Marcelo Ingaramo, Argentina, 6-1, 3-6, 6-2, 7-6 (7-4);

Henri Leconte, France, def. Ronald Agenor, Haiti, 6-4, 6-2, 6-4; Johan Anderson, Australia, def. Olivier Delaitre, France, 6-4, 7-5, 6-1; Bruno Oresar, Yugoslavia, def. Eric Jelen, West Germany, 7-6 (8-6), 4-6, 2-6, 6-1, 6-4; Milan Srejber, Czechoslovakia, def. David Wheaton, U.S., 3-6, 5-7, 6-3, 7-6 (7-4), 6-3;

Arnaud Boetsch, France, def. Mark Kratzmann, Australia, 6-4, 6-0, 6-3; Andrei Cherkasov, U.S.S.R., def. Frederic Vitoux, France, 6-0, 6-4, 6-4; Christian Bergstrom, Sweden, def. Todd Witsken, U.S., 6-1, 6-2, 6-0; Pedro Rebolledo, Chile, def. Simon Youl, Australia, 6-3, 7-5, 6-1; Roberto Azar, Argentina, def. Lawson Duncan, U.S., 6-3, 6-1, 6-1;

Todd Woodbridge, Australia, def. Mansour Bahrami, Iran, 2-6, 6-1, 4-6, 6-3, 8-6; Alberto Mancini, Argentina, def. Jay Berger (9), U.S., 6-4, 6-2, 6-2; Guillermo Perez-Roldan (15), Argentina, def. Olivier Soules, France, 6-7 (6-8), 6-1, 6-3, 6-2; Andre Agassi (3), U.S., def. Martin Wostenholme, Canada, 4-6, 7-6 (10-8), 6-0, 6-1; Jordi Arrese, Spain, def. Markus Zoecke, West Germany, 6-4, 3-6, 6-3, 6-1; Mark Koevermans, Netherlands, def. Jan Gunnarsson, Sweden, 6-3, 2-6, 6-7 (7-9), 6-3, 7-5; Nicklas Kulti, Sweden, def. Emilio Sanchez (6), Spain, 4-6, 6-4, 6-7 (5-7), 6-2, 6-1.

Women's Singles

Steffi Graf (1), West Germany, def. Pascale Paradis, France, 6-0, 6-2; Radka Zrubakova, Czechoslovakia, def. Silke Meier, West Germany, 6-1, 6-2; Elena Pampoulova, Bulgaria, def. Sylvie Sabas, France, 6-3, 6-3; Sandra Cecchini, Italy, def. Natalie Guerree, France, 7-5, 6-0; Susan Sloane, U.S., def. Amanda Coetzer, S.Africa, 6-4, 6-3;

Naoko Sawamatsu, Japan, def. Linda Harvey-Wild, U.S., 6-1, 4-6, 6-2; Wiltrud Probst, West Germany, def. Zina Garrison (5), U.S., 6-1, 1-6, 7-5; Gabriela Sabatini (4), Argentina, def. Andrea Vieira, Brazil, 6-0, 7-6 (7-4); Hu Na, U.S., def. Kataryna Nowak, Poland, 0-6, 7-6 (7-5), 6-2; Conchita Martinez (9), Spain, def. Janine Thompson, Australia, 7-5, 6-1;

Monique Javer, U.K., def. Angeliki Kanellopoulou, Greece, 4-6, 6-4, 7-5; Rene Simpson, Canada, def. Rosalyn Fairbank-Nideffer, U.S., 6-1, 6-2; Claudia Kohde-Kilsch, West Germany, def. Kumiko Okamoto, Japan, 6-1, 6-1; Natalia Medvedeva, U.S.S.R., def. Beverly Bowes, U.S., 6-3, 3-6, 6-2; Camille Benjamin, U.S., def. Petra Ritter, Austria, 7-6 (7-3), 6-1;

Patricia Tarabini, Argentina, def. Joanne Faul, Australia, 6-0, 6-4; Jana Novotna (11), Czechoslovakia, def. Isabelle Demongeot, France, 6-3, 6-7 (6-8), 10-8; Manon Bollegraf, Netherlands, def. Michelle Jaggard, Australia, 6-7, 2-3, abandoned; Linda Ferrando, Italy, def. Audra Keller, U.S., 3-6, 6-0, 6-4; Anne Minter, Australia, def. Francesca Romano, Italy, 7-5, 6-3;

Maria Strandlund, Sweden, def. Sandra Wasserman, Belgium, 6-3, 3-6, 6-0; Katerina Maleeva (8), Bulgaria, def. Sabine Appelmans, Belgium, 6-3, 6-3; Judith Wiesner, Austria, def. Gretchen Magers, U.S., 6-4, 6-0; Cammy MacGregor, Canada, def. Catherine Suire, France, 6-7 (7-9), 7-6 (7-3), 6-3; Regina Rajchrtova, Czechoslovakia, def. Tami Whitlinger, U.S., 6-2, 6-0;

TRANSACTIONS

BASEBALL

American League

SEATTLE—Put Dave Valle, catcher, on 15-day disabled list, retroactive to May 18. Recalled Gene Harris, pitcher, from Calgary, *Pacific Coast League.*

National League

MONTREAL EXPOS—Bought contract of Dale Mohorcic, pitcher, from Indianapolis, American Association. Put John Costello, pitcher, on 15-day disabled list.

ART BUCHWALD

Goghing, Goghing, Gone

WASHINGTON — This summer it's very possible that you will run into people who'll ask, "Why didn't you buy van Gogh's Dr. Gachet for $82.5 million or Renoir's Moulin de la Galette for $78.1 million?"

You needn't be embarrassed by the question. Just use one of these replies:

"We don't have the wall space for the van Gogh because our children wouldn't let us take down their Mother's Day drawings."

Buchwald

"I intended to bid, but the Japanese had their heart set on the pictures, and they have so little of anything as it is."

"Renoir's colors didn't go with our drapes."

"Do you know what it costs to frame an Impressionist painting these days?"

"We would have bought the Moulin de la Galette but it wouldn't fit into our Volkswagen."

"I have a friend, Bill Morice, who told me that I didn't have to go to the auction as he would take me to van Gogh's studio to meet him personally."

"My wife might have been persuaded to buy the Renoir, but she can't stand Mrs. Renoir."

"I'd rather have new patio furniture than an old French painting that has hung on God knows how many people's walls."

"I started to collect van Goghs the day he cut off his ear."

"We don't have $82.5 million for a picture, but if we did, we'd buy a Mapplethorpe photo instead."

"Renoir's Moulin de la Galette isn't a bad painting, but unfortunately it has too many people in it for our taste."

"Years ago we had a choice of collecting either Rembrandts or baseball cards. Thank God, we chose the baseball cards."

"Lucy Scott asked me not to bid on the Renoir so that she could have it. Then she stopped raising her hand when it reached $330."

"We'll probably buy both works this summer when the Japanese businessman Ryoei Saito has his annual garage sale."

"My wife was about to purchase the Dr. Gachet when I pointed out to her that we would then be stuck with two van Goghs in the rec room."

"Because we are favored customers, we have reserved seats at Sotheby's for any softball game on their schedule."

"I hate the role that money is playing in the art game. The halcyon days of paying a lousy $5 million for a White Rock calendar are over."

"I would have bought Renoir's Moulin de la Galette, but the artist refused to retouch it to make it more American."

"The reason we don't buy anything is because the auctioneer at Christie's never looks our way when we're bidding."

"He may have talent, but van Gogh is no friend of the farmer."

"Someday the Japanese are going to come back to New York on their hands and knees and beg us to buy back their paintings."

"Picasso makes me smile, but Norman Rockwell makes me think."

"Ralph went to the auction with me but lost interest when he found out that van Gogh never painted any landscapes of the Augusta National Golf Course."

Artists' Red Alert On Cadmium Ban

WASHINGTON — When Senator John Chafee introduced a wide-ranging solid-waste bill last fall, artists saw red — and yellow and orange. The bill, aimed at stemming the flow of garbage, includes a ban on cadmium pigments to protect groundwater. Artists told Chafee, a Rhode Island Republican, that cadmium was irreplaceable for red, yellow and orange paints.

"It is like asking a chef to cook without garlic, or a writer not to use e's, m's and t's," said Robert Cottingham, a photo-realist painter.

Art accounts for 5 percent of cadmium use, according to one source. More than 80 percent is used in plastics. Still, even art experts admit that a cadmium ban might prompt a search for safer alternatives. However, Chafee has yielded, promising an exemption.

Playing by Ear: Upper West Side to Esalen

By Alan Furst
International Herald Tribune

Cynthia Bascetta

Nancy Lunney on the grounds of Esalen: An irresistible kinship with the place.

IN the 1950s, all up and down Manhattan's West End Avenue, the kids were dutifully taking their piano lessons and — Every Good Boy Deserves Fudge — learning to read music. This was a generation kept busy by ambitious parents. From elementary school the kid ran to Hebrew school, then home for the piano lesson, and in the summer it was off to camp for competitive sports. Every child was presumed to be a genius at *something*; a budding Rubenstein or Einstein, a little judge or a professor. Money for lessons could always be found, talent was gold, you just had to dig for it.

But the kids were kids. And like Nancy Lunney — then Nancy Kaye — real genius sometimes lay in beating the system. Nancy Lunney didn't care whether the Good Boy got his fudge or not, she didn't want to learn to read music so she figured out a way around it. "Could you play it through once for me so that I can hear what it sounds like?" she'd ask the unsuspecting piano teacher. Then she'd play the piece by ear. She never did learn to sight-read and so became, years later, a director of the Esalen Institute.

It wasn't that she didn't like music, she loved it. When she was 20 years old, still living on West End Avenue, a vocal coach and accompanist moved into the apartment next door. "I was fascinated," Lunney says. "It was like a Broadway show album. I used to stand in the hall and listen to it." When the neighbor discovered he had a fan, he invited Lunney to play for him. She was a whiz — all by ear — and eventually he suggested she work with some of his overflow clients.

These were mostly established actors and actresses, veterans of the movies or the dramatic theater, offered tasty roles in Broadway musicals if they could only learn to sing. The shining example of such casting was Rex Harrison who, as Professor Henry Higgins, had talked his way through the musical score of "My Fair Lady" and, despite a voice like a bullfrog, made a huge success of the role.

Lunney would play the piano, the singer would chase the melody, sometimes changing keys in the middle of a phrase; untrained voices often do astonishing things. That didn't bother Lunney. By nature a warm individual, she was all encouragement and support and became so instinctive that she could feel the key changes coming and follow along wherever the voice decided to go. Then, on the day of the audition, she would accompany the client's performance, a reassuring presence. "What fascinated me at the time," she says, "was how people could take whatever they had, and put it across in such a way that you wouldn't really notice the quality of the voice."

Word got around. "The telephone would ring, a voice would say 'Hello. This is Farley Granger.' " She worked with Anne Bancroft, with many others. At one point, she was poised on the edge of a career as a professional accompanist but a single liability made this impossible: She couldn't read music.

In 1972, Lunney took a Gestalt psychology workshop at the Esalen Institute. Esalen was then, and remains today, the mecca of the human potential movement. When Lunney first went there, Esalen offered workshops called "Massage for Couples: Quality Contact," and "Courage, Risk and Self-Acceptance," as well as "Body, Self and Soul: Experiencing Integration." From a distance — physical and intellectual — the embodiment of California *chic*, hip psychology, lamas, gurus and hugs.

But, Lunney found, in the reality, something quite different. First and foremost, the place itself: magnetic, overwhelming, of such astounding physical beauty that cynicism is simply an irrelevant thing to feel when you're there. "Esalen" is the name of a small tribe of California Indians who once inhabited the area and used what are today the institute grounds as a sacred area. A hundred feet above the Pacific Ocean, overlooking a tidal estuary, Esalen is near Big Sur, just about midway between San Francisco and Los Angeles. The edge of the ocean is walking beach, not swimming beach. The tides are fierce, the surf crashes on the rocks, and at the top of the cliff are hot sulphur springs — known as "the baths" at Esalen.

The institute was started in 1962 on land made available by Michael Murphy; Murphy remains actively involved with Esalen and serves as chairman of the board. He grew up in nearby Salinas, in a family whose gatherings often included the novelist John Steinbeck, who went on to use Murphy and his brother Dennis as the models for the brothers in the novel "East of Eden."

From the first day, Nancy Lunney felt an irresistible kinship with the place. For whatever reason, she was her best self when she was there and she returned as often as she could. Finally, at 35, she gave in to the inevitable, returned to school and got a master's in psychology. Next came a residency at Esalen, and the editorship of the catalogue. But she was not quite finished with her past. One day, just because, she decided it might be fun to put on a musical revue. "Who could have known," she says of the idea. The people at Esalen, it turned out, wanted to be in a musical revue more than anything else in the world: eventually more than 150 people would join the cast of a production that was to run for three and a half hours. Lunney, recalling those days, shakes her head in amazement. "I just did what I'd always done," she says. "I'd sit at the piano, legs crossed, half-turned toward the singer, keeping eye contact while I played, with a certain expression on my face. Encouragement. *Yes, that's fine, that's how the song goes, you're doing perfectly.*"

It was the very finest chemistry — the moment when a dedicated participant becomes a member of the group. In 1981, Nancy Lunney was appointed director of programming, the job she holds today, responsible for all the activities outside the hotel and dining room facilities.

She has one of the world's truly great jobs: to hear about interesting people, to make sure they *are* interesting, then to get them to come to Esalen to lead a workshop or a seminar. These have changed — expanded, really — over the years of Lunney's directorship. There's still massage for couples, but there is also a seminar in contemporary Soviet psychology and its effect on global thinking. Individuals leading seminars at Esalen include a Tibetan monk, a Benedictine brother, a rabbi, a sculptor, writers, and several physicians from medical school faculties — in a six-month period more than 200 offerings. The most skeptical and secular sort of people quite often come to a point where they reach for something very different, quite unusual, another dimension, and Esalen has always offered precisely that kind of experience.

Nancy Lunney now lives on the grounds of the institute, in a house high above the ocean, her deck looks out over the endless waves and the fiery Pacific sunsets. She travels widely, and meets extraordinary people. "Practice your piano," they used to say on West End Avenue, "you never know where it could lead."

PEOPLE

Giovanni Anselmo Gets Venice Biennale Prize

Giovanni Anselmo of Italy received the Golden Lion prize for painting at the Biennale International Art Exhibition in Venice. **Bernd** and **Hilla Becher** of Germany won in sculpture, **Jenny Holzer** won for the U.S. pavilion, and the "2000" prize for a young artist went to **Anish Kapoor** of Britain. The biannual art show is considered the flagship of Europe's summer exhibition circuit.

□

Mark Strand, a poet, translator and a short-story writer, was named the fourth U.S. poet laureate by **James H. Billington**, the librarian of Congress. Strand will receive $35,000 a year, and will not be required to produce occasional verse. A sample of his poetry: "In a field / I am the absence of field. / This is / always the case. / Whoever I am / I am what is missing."

□

Leonard Bernstein, who has recovered from pneumonia, is to conduct Beethoven's Ninth Symphony in Prague on June 3 and 4. President **Vaclav Havel** is expected to attend the June 3 concert.

□

Guests at Helmsley hotels are given a glossy brochure showing **Leona Helmsley** writing a check for $42.06 million to the Internal Revenue Service. Inside, her lawyer is quoted as saying it is "ludicrous" to think that someone as rich as Helmsley would have cheated on her taxes. She is appealing a four-year sentence for tax fraud.

□

"I love commencement. I love the happy, ecstatic, joyous faces — but enough about the teachers," said **Bob Hope**, 86, at the University of San Diego, where he received an honorary doctorate. "The parents also look so happy," he said. "This is the last payment that they'll have to make on their children."

□

Ella Fitzgerald, the American jazz singer, will be invested Tuesday as Commander of the Order of Arts and Letters by Jack Lang, the French minister of culture, in a ceremony at the ministry. **Dizzy Gillespie** will be getting an award named for another jazz great June 10 in Washington. He will receive the Duke ASCAP Award, named for **Duke Ellington**.

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1 SECRETAIRE DE DIRECTION
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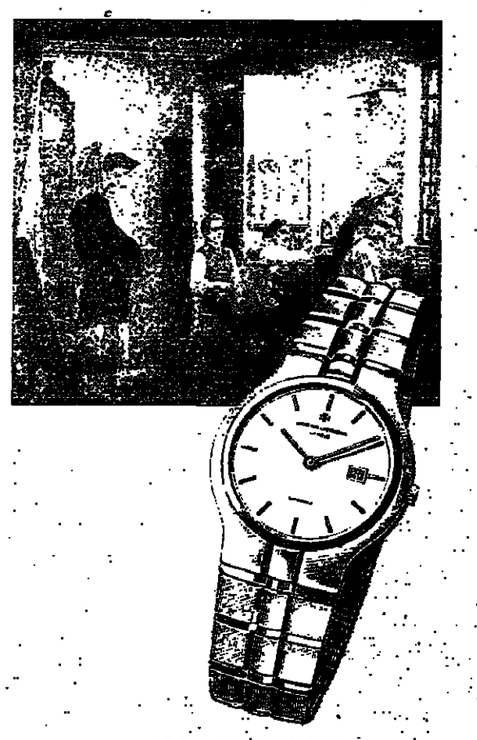

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Imprimé par Offprint, 73 rue de l'Evangile, 75018 Paris.

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